

PUBLIC RELATIONS JOURNAL

The American Economy

Government in Our Economic System..... *Gabriel Hauge*

The Price of Power in Economic Life..... *Howard R. Bowen*

A Workable Society..... *John S. Coleman*

Labor Looks at the Economy..... *Jack T. Conway*

Management and Labor: A Comment. . *Neil W. Chamberlain*

An Asian View..... *Vera M. Dean*

A View from the Western World..... *Sir Douglas Copland*

The Corporation in Perspective..... *Raymond C. Miller*

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Editorial

The American Economy

● The economic system of the United States is no more likely to yield its secrets before a determined phalanx of public relations men than it is to unveil its mysteries to any other group—including the economists who study the matter.

This intransigence, however, is a bother. For it is with economic problems that the public relations man must increasingly deal. His job is not alone to be a professionally competent communicator, though that is certainly an important aspect of his job. Additionally, his task includes the understanding of what it is that he is talking about.

Does a strike threaten? Is there to be a "spin-off"? Has a dividend been passed? Has a damaging piece of legislation been proposed in Congress? Must Plant X be closed? Is there a merger in the offing? Did the company lose money last year while other companies in the same business were making money? Is the New Product, so proudly launched, falling on its face? Would it be a good idea to open a plant in England?

All such problems are management problems, which is to say that they are problems with which management must deal. But they are also public relations problems, which is to say that in each case questions of public opinion and public attitudes are deeply involved.

A generation ago, the public relations man might have relaxed. "Once the management has made up its mind," he might have reasoned, "I'll try to do the best job I can of 'getting out' the information they want me to get out."

But this is no longer enough. The management executive who needs the help of public relations skills has become more sophisticated. He assumes that the techniques are available—just as the builder of a building assumes that the architect can get the drawings made. What he wants, increasingly, and what he has a right to want, is imagination, and creativity and, above all, understanding.

Some thoughts such as these may have been passing through the mind of Ted Littlejohn when he

invented the idea of this special issue of the PUBLIC RELATIONS JOURNAL. It was his invention, completely. What would happen, he thought, if we could get a half a dozen or so able and articulate people to sit down and think out loud about the American economic system as it *really* exists today? No one of these authors need assume the mantle of final authority; the search is for provocative opinion. The opinion can then become the raw material for debate and discussion, and even for argument.

With persuasiveness, and armed with logic, Ted Littlejohn was able to get the present group of authors to settle down to a rather serious discussion of the American economic system, with special reference to public relations. The authors, of course, were not instructed to write in public relations terms: the connection is clear enough.

The result of all this, as set forth in the present issue, is a set of papers which collectively represent a variety of points of view. To put it another way, the papers are "controversial." Author A does not agree entirely with Author B. Or, perhaps, he disagrees entirely. This, we feel, is all to the good. One would hardly expect Mr. Conway, who is oriented in the realm of labor, to agree always with Mr. Coleman, who is oriented in quite a different world.

And yet, it is interesting to note how often the various authors *do* agree on general principles. Author X and Author Y, for example, however far apart they may be in terms of immediate practice, both agree that the society in which we ought to live in, say, 1960, ought to be a society in which human values are paramount. They agree on other things, too.

In any case, it is refreshing to be able to bring together such a diverse group of authors, all of whom are writing about matters of importance to all those who practice public relations, and, in fact, of importance to all those who exist as citizens of an economic community.

To Mr. Littlejohn, our salutations! ●

—S.E.F.

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Executive Editor

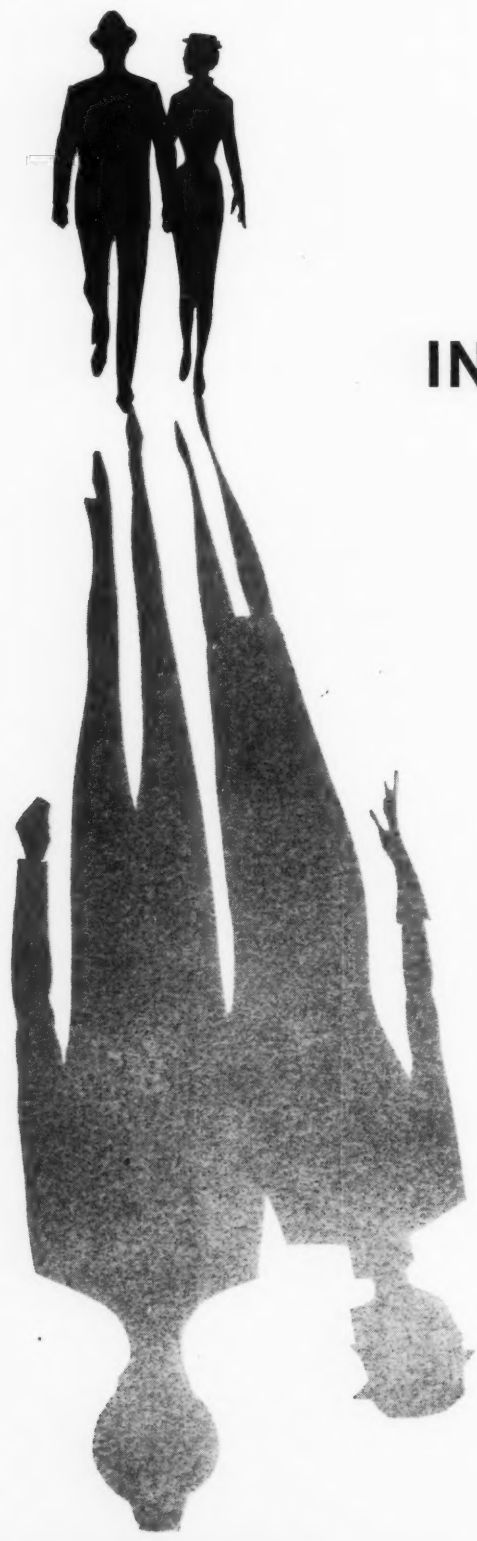
THOMAS R. CARSKADON
EDWARD LITTLEJOHN
Assistant Editors

G. M. LEWANDER
Advertising Director

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Editorial

A Preliminary Note

● A great British conservative once said: "Throughout our whole history we observe that the leading men who have guided the fortunes of our Commonwealth have invariably agreed in one line of policy, namely, to eschew abstractions." (Disraeli). If any one criticism is especially leveled at businessmen, it is that once we emerge from the daily tasks of management to mount the public stage, we embrace abstractions. While labor talks in terms of a guaranteed annual wage, we, it is said, talk in terms of "free enterprise." When a politician discusses the full employment act, we proclaim "our way of life."

In this issue of the JOURNAL we have tried to avoid this charge. It is dedicated to a discussion of problems—human problems that friendly critics see within our economic system. It cannot, within the limits of space, be complete. Many will note immediately important areas that have been omitted. But the whole vast complex of our economic life can hardly be covered in a few thousand words.

Our system is debated in our universities, the churches, in Congress, in books and newspapers. We submit that this debate is of pivotal concern to practitioners of public relations. For it concerns the individual. It concerns the things closest to him—his purposes, his hopes, and their relation to his work and to the society in which he lives. People will listen when we speak of what concerns them, and they will ignore our words insofar as they do not touch their personal lives. Public relations must surely stem from what is on the mind of the public.

Members of our profession are necessarily concerned with day to day needs. Press relations, community relations, promotion of sales keep us busy enough without entering into new and unfamiliar fields whose relationship to revenue is by no means clear. And yet, in a political age the imperatives of

national and international affairs increasingly impose themselves.

Changes are the essence of the American system. But these often come so slowly that we awaken to their magnitude only when a new world has arrived. Meanwhile, we limp along with old concepts and old programs that are increasingly irrelevant to the larger issue. The occupational disease of businessmen is to look back. Yet though we may wish things to be different, we must work with things as they are. Influence depends on properly analyzing the present in order to prepare for and guide the future. The pattern is always changing. But leadership will be given to those who recognize the coming pattern and are ready to act while its outlines are still vague and incomplete.

This issue of the JOURNAL contains somewhat controversial matter. Many, perhaps, will feel that some of it is irrelevant to our function. We would not wish for a moment to under-estimate the importance of the past achievements of public relations. Indeed, we can claim to have assisted in giving industry and commerce a new and stronger voice in the affairs of the community and of the nation. We believe, however, that the continuing influence of business depends on the acceptance of an even wider public role.

If it is true, as indeed it is, that new responsibilities have been thrust on the United States, then by reason of the place of businessmen in American life, they have equally been thrust on us. The strong political currents moving about the world will increasingly determine the climate in which public relations must work. We do not accept responsibility for the conclusions of our contributors. We believe, however, that they express trends of opinion of which every program of public relations must surely take account. ●

—EDWARD LITTLEJOHN



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Government in our Economic System

By Gabriel Hauge

● Controversy will continue to surround the question of government's proper place in the economy. This is, of course, not surprising, for the issue which confronts us is not one of "whether-or-not," but one of "more-or-less" government. The issue is posed in practical situations that are often difficult and imprecise. It is in resolving these specific, day-to-day questions that basic principles can show the way.

Economic history, philosophy, and Western political experience help us identify basic values and economic truths. They tell us that personal freedom in the economic sphere supports political freedom and other individual and social goals. This view leads to a predisposition to favor freedom,

as against government intervention, whenever a compelling justification for such intervention is lacking.

This philosophical bent in favor of freedom is reinforced by the market system's success in providing an increasing level of material well-being for the whole community. By directing production toward meeting millions of individual choices, the market system produces the largest total of satisfactions, because it produces the most of what people want most. And it does this, not by coercion, but through free incentives. This system naturally does not result in an equal distribution of income, but, as Professor Boulding has put it, "we now see that in practice the abolition of poverty can only come from development"—or growth—"not from redistribution, not from taking from the rich to give to the poor, but in making everybody richer." And this, too, the market economy has done. Competition spurs that productivity which has been well-described as "the mentality of progress."

No one holds, of course, that the competitive market system is perfect and automatic. Imperfections there are, and to deal with them, government has a vital role to play:

- *First*, to strengthen the operation of free markets;
- *Second*, to moderate the fluctuation of the economy between inflation and deflation;
- *Third*, to supplement the market

system in those areas where it alone cannot as well provide certain essential needs.

In this way, government reinforces rather than replaces the market system. Our guide to policy should be this: as much freedom as possible; as little intervention as necessary.

Strengthen the market

The importance of the price mechanism defines the first economic function of government: to strengthen the market system. This obviously requires not only law and general order, but also an institutional framework conducive to private economic activity: contract enforcement, an effective monetary and credit system, the protection of commerce against the unscrupulous few. We seek, as President Luigi Einaudi of Italy has said, not the abolition of all regulations, but the use of those regulations within which the citizen can act freely.

Since private monopolies can obstruct the market, government should, in general, limit undue concentrations of economic power in the hands of persons, businesses, or other groups—"in general" because some barriers, such as the patent monopoly, seem desirable; "undue," as a reminder of the subtle difficulties of identifying harmful market power. Our relatively pragmatic anti-trust laws wisely require a judgment upon the degree and use of market power. The results are

Continued on the Following Page

● GABRIEL HAUGE studied at Concordia College, Moorhead, Minn., and received his Ph.D. from Harvard University. He was an instructor in economics at Princeton from 1940 to 1942. Between 1947 and 1950 he was Chief of the Division of Research and Statistics in the New York State Banking Department. From 1950 to 1952 he was Editor of the Trend editorial for BUSINESS WEEK, and Assistant Chairman of the Executive Committee, McGraw-Hill Publishing Co., Inc. He is now Special Assistant to the President of the United States. ●

not always neat because the judgments are often elusive. On the whole, however, vigorous and effective enforcement of sound anti-trust laws can help assure a dynamic and workably competitive condition for most markets.

Positive steps

In addition, government can and should take positive steps to promote enterprise. An enlightened commercial policy can encourage mutually profitable trade across national boundaries as well as within them. And at home, government's own large procurement can aid competition, and also benefit from it, by making it easier for small and new businesses to deal with government agencies. Sound statistical and information programs can help these businesses. The President recently acted in this direction by calling for this fall the first National Conference on Technical Distribution Research for the Benefit of Small Business. Government can also help meet the special credit needs of small and new businesses that are not adequately met by existing arrangements. Tax policy, furthermore, should encourage the savings which they need. In these ways, government recognizes the vital contribution of new enterprise to innovation and to the vigor of competition.

Dynamic competition, however, is change, and the new products and new methods of economic growth may require some painful readjustments. Restrictive proposals to protect settled interests, large and small, are always forthcoming. Proposals abound, too, for the promotion of private profit at public risk. Especially tempting to some is the idea that broad socialization of risk can somehow be linked with a vigorous private enterprise system. All such approaches need to be scrutinized and generally resisted.

The record of government intervention in agriculture illustrates very clearly the ever-increasing restrictions upon free action imposed by public programs in this field. One more thing is clear: the necessary readjustments will never be successfully accomplished if agriculture is to be sealed

off by unrealistic legislation from the market place where consumers express their preferences. In agriculture, as in other fields, when we legislate, we must legislate along the grain of economic fact, and not against it. We must not by-pass the market and thus perpetuate and aggravate this serious national problem; rather, we must use market forces to help solve it.

Intervention schemes by government often go beyond cushioning change; some seem designed to defeat it at the expense of the whole community. Even the intended beneficiaries of such efforts come to know a subsidized existence as a second-class existence. Moreover, special privileges irresistibly generate demands by others for "equal" treatment. And although the privilege may be described as "experimental" or "temporary," experience demonstrates the practical difficulty, greater as the beneficiaries become more numerous, of withdrawing special privileges. Such unsound intervention in the market is ominous, for government cannot long yield to powerful pressure groups without risking ultimate surrender to the fallacy of the corporate state. For the government to go heavily into the business of building "competition-shelters" is scarcely the way to serve the cause of economic progress in a free society.

Moderate cyclical fluctuations

The irregularity of economic growth poses the second great responsibility for government: to seek to moderate the ups and downs of the business cycle. Success in these efforts can discourage the exchange of personal freedom for promises of personal security. Moreover, such success can lessen the anxieties that prompt fearful groups to demand public intervention in the price system.

To stimulate recovery in a slump experience tells us, government efforts and easy money can help; but they will not help much if government spending merely substitutes for private spending, if tax policies discourage private activity, or if public policies create a climate of distrust or uncertainty which dampens confidence in the system or in the future. Private confidence—among consum-

ers, workers, businessmen, and investors—has proved far more potent for both recovery and growth than public expenditure.

But whatever remedial measures in a slump can do, preventive medicine is still the best approach to the ills of business ups and downs. The wisest anti-depression policy is proper anti-inflation policy. Therefore, we cannot accept the pessimistic notion that prosperity needs the steady stimulus of inflation.

Creeping inflation

There can be little doubt that a policy of creeping inflation, based on public spending and easy credit, inhibits optimum prosperity and growth. It can, for example, prevent the adjustments required by economic progress where people do the wrong things or work at the wrong places or with the wrong methods. To seek the miraculous elimination of all maladjustments in the economy through creeping inflation can only weaken the national fibre and resolution to maintain efficient and vigorous production and competition. To mistake a shortage of men and materials for a shortage of money and to seek a remedy through undue credit expansion can only overload the economic circuits and lead to a burning out of the fuses.

Fiscal policy obviously is one tool available to the government when inflationary pressures mount. Revenues should, at the very least, balance the budget, lest deficit spending add to the demand pressure on the economy. The level of expenditures, even in a balanced budget, should be held down, lest price pressure on some critical resources grow out of the shift from private to public consumption, and lest taxes to cover the expenditure absorb funds that taxpayers would otherwise have saved and invested to expand production. Moreover, management of the public debt, in such a situation, must seek to avoid aggravating inflationary pressures.

The other major tool for moderating the business cycle is credit policy. As Walter Bagehot said over a hundred years ago, "Money does not

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1952	800,000	875,071
1953	800,000	922,597
1954	900,000	1,001,069
1955	1,000,000	1,056,537
1956	1,000,000	1,077,478
1957 (1st 6 mos.)	1,050,000	1,119,125*

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manage itself." In our country primary responsibility for credit policy has been entrusted by the Congress to the independent Federal Reserve System. Its present policy of credit restraint seeks to keep additions to money demand in balance with additions to resources.

Credit restraint does, of course, create problems—there isn't enough money to go around. Although some desirable credit needs are not met, there appears to be only one comprehensive alternative: to replace the capital and credit rationing of the money market with government allocation as to who may obtain credit or capital and in what amounts and for what purpose. The risks of so pervasive a centralized decision-making power are hardly justified by the inability of every prospective borrower to meet his needs fully under a policy of credit restraint. There will be some uneven impacts, with or without government allocation, as there are in every aspect of economic activity. And provided that we neither tamper basically with the rationing of the money market nor vitiate the policy of restraint, it is proper to have programs, as we do, that recognize the established national policy in such areas as small business, agriculture and housing.

Understanding and judgment

To keep prosperity by keeping it healthy requires understanding, judgment, and skill. In the words of the Scotch proverb, "It takes a steady hand to hold a brimming cup." This is not to say, however, that a steady hand on monetary and fiscal management offers a complete and effortless solution. The wage-cost-price spiral can be stubborn. For that problem, however, the rigidities of direct controls offer no satisfactory solution. To bypass the market and make political pressure the route to economic advantage is not a promising way to foster economic responsibility. A short-run check to the wage-cost-price spiral may take the form of a profit-squeeze where consumers balk at higher prices in a climate of credit restraint. A long-term approach to the problem requires either a re-examina-

tion of the great power in private economic groups or the exercise of restraint and responsibility by those who hold such power. Broader recognition of the fact that inflation can give, at best, only temporary advantage may induce increasing self-restraint. Perhaps, strategically placed private decision-makers will reflect a little more on their responsibilities. This awareness is indispensable to stability with progress in a free economy.

Supplement the market

As useful as the price mechanism is, it has never been expected to provide for every need. In addition, therefore, to measures strengthening markets and fostering economic stability, there is a third and less well-defined category of government economic activity: to supplement the market system in those areas where it alone cannot as well provide certain essential needs.

The first of such activities supplements the market by expediting unusual industrial developments of potential economic or social value. War-time necessity occasioned such hot-house development for atomic energy and synthetic rubber manufacture. In more unusual cases, government subsidies were provided to speed the development of the railroads in the last century and, more recently, of civil aviation. Farsighted but rare intervention of this sort, when undertaken, should be designed to utilize the market mechanism as soon and as fully as possible.

The second and more traditional government activity supplementing the market is the conservation and development of our natural resources through programs for highways, waterways, natural parks, forests, and wildlife. The current controversy over power development tellingly illustrates the difficulties of doctrinaire approaches. Here, too, private efforts must be mobilized for their full contribution to help meet the huge and growing need for power. This private contribution has the additional merit of freeing tax revenues either for tax reduction or for other public purposes which cannot be satisfied by private



Dr. Hauge

financing.

Personal security is the object of the third type of government supplement to the market. It seeks to cushion the human costs of a dynamic, but non-utopian society. The interdependent and complex nature of our industrial society and our humanitarian impulses both compel a deep concern for those who find themselves below a basic standard of living.

Need for personal security

In meeting the need for personal security, we can help individuals satisfy their urgent material wants and lessen the anxieties that prevent the full enjoyment of freedom. Unemployment compensation can ease the burden of changes in job conditions. The reinforcement of health insurance plans can assist individuals to protect themselves, through their own efforts, from the often crushing financial burden of major illness. A social security system can protect a worker and his family against the dependency resulting from old-age or premature death. A basic standard of living may be provided through various public assistance programs for the relatively few who, for various reasons, may be unemployable. These and other meritorious measures do, indeed, use the coercive fiscal powers of government, but they do so to help individuals within the framework of a free economy and, at the same time, to create the climate most favorable to free, personal economic activity. Moreover, such programs, if properly conceived and administered, can widen rather than narrow individual freedom.

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THE PRICE OF POWER IN ECONOMIC LIFE

By Howard R. Bowen

● What makes a free-enterprise economy free?

The answer is that decision-making is so widely diffused that no one has very much economic power over any one else. No one has much authority over prices, wages, the output of particular goods, the supply of resources, or the distribution of income among persons. But, to the extent that decision-making is centralized—whether in the hands of great corporations, trade associations, labor unions, cooperatives or governments — economic

power emerges and freedom is correspondingly curtailed. Business statesmanship refers to the use of business power.

Laissez-faire in theory

One of the most appealing and influential ideas in the entire history of economic thought is the theory of *laissez-faire*. This theory was advanced (tentatively and with many reservations) by Adam Smith in 1776 at about the time Jefferson was writing the Declaration of Independence. It blossomed in full-blown perfection in the theories of Bastiat, Mandeville, Cobden, and other economists of the early nineteenth century. And it has survived to this day as the underlying norm for economic policy in the United States.

The attractiveness of the theory of *laissez-faire* derives from the underlying assumption that business, governments, and other economic groups can be divested of all economic power, and that an economy can function without any centralized direction merely by releasing the spontaneous forces of human self-interest and competition. The theory of *laissez-faire* is particularly attractive in that it seems to require neither self-restraint (morality) nor social restraint (public regulation) upon the actions of individuals or groups. Selfishness, checked by the competitive selfishness of others, miraculously results in public

welfare. As Mandeville said, "Private vices, public virtues."

Laissez-faire in practice

In practice, the efforts in England and the United States during the nineteenth century to adopt the idea of *laissez-faire* led to many conflicts between the actions of individuals as directed by their self-interest and the welfare of society. These were due in part to fairly widespread tendencies of businessmen toward deceptive behavior, financial manipulation, monopoly, disregard of the human rights of workers, lack of concern for their health and safety, and wasteful exploitation of natural resources. More basically, these conflicts arose from recurring business depressions, disparities in the distribution of economic opportunity, and the insecurity of workers as they faced the problems of unemployment, sickness, and old age.

The attempts of society and of groups within society to deal with these problems led—for better or worse—to the progressive decline of *laissez-faire* both in theory and practice, and to growing social control over economic life. In some countries, these developments culminated in socialism of one form or another. In the United States they led to a mixture of free enterprise and social control—a mixture in which free enterprise is

Continued on the Following Page

● HOWARD R. BOWEN, *President of Grinnell College, Grinnell, Iowa, was educated at the State College of Washington and received his Ph.D. in Economics at the State University of Iowa. After serving as Professor of Economics and Dean of the College of Business Administration at the University of Illinois in 1952, he was appointed Professor of Economics at Williams College. He is a member of the Research Advisory Board of the Committee for Economic Development. Apart from numerous contributions to magazines and periodicals, he is the author of TOWARD SOCIAL ECONOMY, SOCIAL RESPONSIBILITIES OF THE BUSINESSMAN, and (with others) CHRISTIAN VALUES AND ECONOMIC LIFE.* ●

still clearly predominant.

In an effort to overcome the more subtle problems of deception, fraud, and financial manipulation, "blue sky" laws were enacted, and the Federal Trade Commission and the Securities and Exchange Commission were established. To combat or control monopoly, regulation of railroads and public utilities was instituted, anti-trust and "fair trade" laws were enacted, and special aids to small business were provided. To achieve greater stability of economic activity, monetary control and fiscal policy were invoked. To alleviate the problems of poverty and personal insecurity, relief, social insurance, and farm-price supports were provided on a steadily increasing scale. To protect life, limb, and health of workers and of the general public, factory laws, safety codes, housing ordinances, pure-food laws, and public-health services were provided.

To improve the status of labor and to prevent strife in labor-management relations, trade unions were accorded recognition and their relations with employers subjected to public supervision. To increase equity in the distribution of income and of personal opportunity, provision was made for free public education, graduated income and death taxes, social insurance, minimum-wage laws, farm price supports, and public housing. To prevent wastage of natural resources, conservation measures were enacted. To promote productivity and economic development, the government subsidized industries, supported research and adult education, and—in a throwback to mercantilism—imposed import duties.

Extensive scope illustrated

This is by no means an exhaustive catalogue of the measures employed to overcome the problems, real or fancied, arising under *laissez-faire*. It does serve to illustrate the extensive scope of governmental intervention in economic life—some of it no doubt ill-advised—that has emerged from the century-long effort to solve what were believed to be problems of *laissez-faire*.

We now have in the United States

a *mixed economy*. It combines important elements of *laissez-faire* and of socialism, and even has some of the qualities of syndicalism. It retains a substantial amount of individual initiative and individual freedom of choice in matters of production, consumption, choice of occupation, and geographic mobility of persons. There are substantial elements of socialism, as evidenced by governmental ownership, regulation, control and planning. And there are elements of syndicalism, as evidenced by the strategic role of labor and other organized groups. The emergence of the mixed economy is the result of efforts to reconcile the social goals of freedom and economic progress, which are paramount in the *laissez-faire* philosophy, with the goals of stability, security, justice and personality development, which are emphasized in modern humanitarian philosophy.

The concept of business statesmanship

Throughout the history of the transition to present-day capitalism, and today as well, the underlying motivation has been to preserve the essential elements of *laissez-faire*. Deviations from this system have been accepted only when the need for such deviations was thought to be clearly demonstrated by the emergence of serious problems. By now, however, the deviations have become numerous and far-reaching. Many businessmen believe that the freedom, motivations, and the diffusion of economic power characteristic of *laissez-faire* are being eroded away and that we are headed for some form of state socialism. From economic history, they have observed that the emergence of state controls over our economy and the rise of organized economic groups have occurred when there have been problems—real or fancied—that businessmen have been unwilling or unable to correct voluntarily. They have asked themselves, therefore, if the trend toward socialism might be arrested if businessmen themselves would consider more frequently the social implications of their decisions and would shape their policies with the public interest as well as the pri-

vate advantage in view. Many businessmen have been seriously interested in this idea and have earnestly sought to discover where their social responsibilities lie. *Business statesmanship*, interpreted as the conduct of one's business with a reasonable concern for the public interest, has become a major objective of many leading businessmen.

Assumption that businessmen do hold power

The idea of business statesmanship rests upon the assumption that businessmen do hold power—that they are confronted with genuine choices such that they can, at times, choose between policies that are more favorable and are less favorable to the public interest. This assumption is sometimes challenged, either on the ground that businessmen do not in fact have much power or that they *should* not have much power. It seems quite obvious, however, that in an age of great corporations and trade associations businessmen do have power and that it makes a great deal of difference how they exercise it.

When a businessman decides whether to produce a new product or service, he is helping to decide the range of products available to consumers. When he decides whether to purchase new plant and equipment, he is helping to determine the rate of economic progress and is influencing the level of employment. When he decides to close down a plant, he may be affecting the economic future of a community. When he advertises, he may be influencing moral and cultural standards. When he adopts automation, he may be affecting the satisfactions derived by workers from their jobs. When he introduces new personnel policy, he may be contributing toward cooperation and understanding between management and labor or he may be reinforcing tensions and frictions. When he transacts business in foreign lands, he may be contributing toward international understanding or stirring up international tensions. At every step, his decisions affect the lives of other people. To the extent that he exercises genuine

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choices, which is by no means always the case, he is inescapably and deeply involved in moral issues.

Frequently his range of choice is limited by technology, by lack of finances, and by competition. His power is then correspondingly weak. At other times, his range of choice is considerable and his power correspondingly great. Power calls for social responsibility in its use; the degree of social responsibility for businessmen to assume should be commensurate with the power they hold. Few businessmen—even the proprietors of small firms—are without any power in socially important matters, and therefore few are without opportunities for business statesmanship.

Businessmen also exert power beyond the limits of their own enterprises through their activities in trade associations and other groups and through their influence as leading citizens. Their responsibility in these roles, and their opportunities for statesmanship, are also commensurate with their power and influence.

Private advantage is public welfare

Business statesmanship does not always require the businessman to do things that are contrary to private advantage. In the overwhelming majority of cases, public interest and private advantage are compatible. This was the important kernel of truth in the theory of *laissez-faire*. Indeed, if it were not so, the capitalistic system would be entirely untenable and indefensible. But it does not follow that short-run private advantage is *always* consistent with public welfare. When conflict exists businessmen can consider the broader implications of their actions, and wield their power so that the economy can function more smoothly and so that consumers, workers, investors, and others can achieve greater welfare.

The conflicts between private advantage and public interest are more frequent between *short-run* private advantage and public interest than between *long-run* private advantage and public interest. In the long-run, action by a business that is contrary to the

public interest often hurts the business. It may alienate customers, lower the morale of workers, reduce the ability to get capital. On the other hand, socially desirable action, particularly if carefully interpreted to the public, can win friends both for the individual firm and the private enterprise system. This is a fact that has been realized by many businessmen and explains in part the widespread interest of business leaders in "statesmanship." As Senator Ralph Flanders has said,

What is required is an evolution of our system, instead of its destruction. Our system is based on the faith announced by Adam Smith that, in the sum total, selfish interests work together for the general good. The time has come when that doctrine is no longer tenable in its historic form.

If, however, we learn to distinguish between short-sighted selfish interests, then the whole formula still applies and still will work with this simple readjustment of one of its elements. We may still be selfish, but let us be selfish in the long-range view. What harm will there be if the disinterested observer finds it difficult to distinguish our selfishness from old-fashioned virtue?*

An enemy of the capitalistic system, more virulent than any communist, is the operator whose eye is on the "fast buck" rather than long-run welfare of a company that expects to be in business generations in the future.

The role of public relations

Just how the policies of a company are to be made consistent with the public interest is not always self-evident. How is a businessman to decide just what is the public interest or just what policies are conformable to the needs of society? There are problems here of conscience and of good taste, and there are also complex technical problems of economics, social science, and ethics. Clearly, each large firm needs an official or a department that is concerned with the social implica-

tions of its activities. The public relations department is perhaps best equipped to assume the role of spokesman for the public. But in accepting such a role, the advice of economists and other social scientists will be indispensable.

The function of "public relations" was initially introduced into American business as businessmen recognized that public attitudes toward a company (or toward business generally) may affect its supply of capital and labor, the demand for its products, and the treatment it receives at the hands of courts, legislative bodies, and regulatory agencies. The original conception of this function was to seek public favor through various publicity techniques and through personal contact with leaders of public opinion and agencies of public control. In its initial conception, the job of the public-relations director was to "sell" the company and its policies, regardless of the merits of these policies.



Dr. Bowen

As the public-relations function has matured, however, leaders in the field have become increasingly aware that favorable public attitudes depend quite as much on the nature of a company's policies as on the publicity techniques used to "sell" these policies. Accordingly, public relations has become a factor in policy determination and the public-relations function increasingly has become one of advising on policy from the point of view of its effects on public attitudes. It is not a great jump from this conception of the public-relations function to that of spokesman or trustee for the public interest. ●

*Ralph E. Flanders, *Businessmen's Responsibility to Government*, in *Responsibilities of Business Leadership*, H. F. Merrell, editor, Cambridge, Harvard University Press, 1948, pp. 38-39.

A Workable Society

By John S. Coleman

● A great number of publications, articles and pamphlets from business clubs and organizations pass over my desk. In them I find continual reference to something called the "American way of life," or the "American economic system." This system, it is suggested, must be defended at all costs. It was great in the past, is now much deteriorated, and will continue to deteriorate in the future. Again and again the impression is given that the American economic system is something finished and complete, and that any change is likely to be ruinous. Do not misunderstand me. I agree with many of the warnings contained in these speeches, or articles, or books. And not for a moment do I believe that we should desist in our efforts to

identify dangerous trends in current political or economic life.

Dynamic character of American system

My point, however, is this—that we give the impression to the public that we have in mind a static system, when we have in mind no such thing. The American system in 1850 was different from what it was in 1900, and in 1957 it is different again. And if one thing is certain, it will be different again fifty years hence.

It is not just a question of new products. The automobile, the airplane, and TV have certainly revolutionized our habits of living. The transformation, however, goes deeper than personal habits. The growth of large corporations has brought important changes in relationships between people. They have become, in a real sense, collective enterprises in which society as a whole has an important interest. The consequence is that management finds itself in a position somewhat of a trustee, required to weigh the effects of its decisions on many groups—employees, stockholders, the community, and the public at large.

There have been important changes in the external relationships of corporations. There have been profound changes, too, in their internal organization. Undoubtedly in many businesses, direction of operation still lies mainly in the hands of a few individuals, but increasingly there has been a wider diffusion of authority, above all in developments such as divisionalization. Increasingly the emphasis in executive authority is, as someone has phrased it, "Power with, rather than power over people."

Get things done

The management job is to get things done. But this is not a matter of the drive and hunches of a few. By reason of the increasingly complex and technical nature of modern business, the process of decision is necessarily one in which many must contribute. We do have individual enterprise as compared with government ownership. We mislead ourselves, however, if we fail to bear in mind the increasingly collective nature of modern business. It is collective in the sense that the administrative process is one of coordination of a team of professional managers. It is collective, too, in the sense that the objectives of the corporation are increasingly interwoven with the aspirations and needs of the community as a whole.

Far then from being old, the American economic system is historically new. It is continually regenerating itself, and if it is to remain vigorous it will continue to do so. By the very fact that our system flows from today's conditions, it must change to meet the tensions of tomorrow. New days require new men. New problems require new answers. And the title of leadership will belong to those who identify these problems and find answers to them.

Corporation is a moral community

And what are some of these problems? I have already mentioned the significance of the corporation now and in the future. What kind of an organization is it and should it be? It is a curious thing that so little attention has been given to the nature

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● JOHN S. COLEMAN is Chairman of the Board of the Chamber of Commerce of the United States, and President of Burroughs Corporation. He is a director of American Motors Corporation, American Optical Company, Freuhauf Trailer Company, Michigan Bell Telephone Company, National Bank of Detroit, and Standard Accident Insurance Company. He is past Chairman of the Federal Reserve Bank of Chicago (1953). Among the many business and public organizations with which he is associated are the Committee for Economic Development, the U. S. Council of the International Chamber of Commerce, and the Council on Foreign Relations. He is also a member of the Advisory Board of the U. S. Post Office Department. ●

of this all-important unit of modern American society. And yet its success surely depends on general agreement as to its purposes among major social groups. What is it legally, morally, and socially? Is it, or should it be regarded as a unified organization with a claim on the allegiance of all its members, both labor and management? If its purposes do embrace all employees, both wage and salary earners, what is to be thought of unions and the competing allegiance they foster? If it does have a social function, what is to be thought of managements who fail to include labor in their purposes as fully as themselves, the consumers and the stockholders?

What kind of organization does labor think the corporation should be? Some say the union should have no views on this. Their purpose is strictly the practical one of getting a bigger slice of the pie. They want, in Samuel Gomper's famous monosyllable, "More," and then more. And what of management? Is it for us just a means to the exercise of power, and if not wealth, at least moderate affluence? The corporation is building a record of increasing success in growth, in new products, and in human relations. The point, however, I would like to raise here is whether we can expect much further progress without wider agreement between all parties concerned on what we are trying to do. What, then, are some of the things upon which we must agree? The first is that the corporation is a moral community. It is something more than a place where goods and services are turned out. It is something more than the source of an economic surplus to be divided after much debate between management, labor and capital.

Need to make profit

Too frequently, it seems to me, we confine our exhortations to one point—the need to make a profit; and I leave you to judge whether we have succeeded here. We must insist that we are in business to make profits. But we can hardly expect this bald statement to win an enthusiastic response. But is there not a further purpose? Certainly there is. It is to



Mr. Coleman

serve the community, to provide a just return to capital, and rewarding and satisfying work to employees. Let us then put first things first. If our objectives are properly stated, we can more easily insist on the stern necessities of financial management upon which their attainment depends.

I have said that we have over-emphasized the financial aspects of our business. I hasten, however, to put the record straight in saying that amongst the things upon which labor and management must agree are the financial and organizational conditions for the successful operation of an enterprise. Management must have appropriate authority. Quotas must be set, standards must be insisted upon, objectives defined. No organization, whether it be a church, army, government, labor union or business enterprise, could long exist without this discipline. If we expect to attain our objective, we must assign responsibility and authority. Management must have the means to insure the necessary economic performance.

Our rising standard of living depends on such technical and undramatic concepts as savings and capital formation. It has to do with profits and break-even points. These financial concepts are hardly exciting ideas. It is difficult to stir up enthusiastic and popular support for right ideas in the field of industrial and financial management. And yet precisely this must be done, and respon-

sibility for doing it must be accepted by all who are interested in the success of corporate enterprises — by management, by labor, by stockholders, and by the public in general.

I have mentioned the moral conditions of a free industrial society. On the other side of the coin are these financial and organizational conditions. Management will indeed act foolishly if they fail to recognize the justice of the demand that a business enterprise must have a social and ethical purpose. And labor leaders will be equally foolish if they fail to accept and do their part in securing understanding of the technical requirements for the growth of our economic institutions.

Spreading understanding of American capitalism

Our system must however be understood not only by Americans. It must be understood by the world at large. It has become somewhat hackneyed to repeat that we are in a global struggle with communism for the minds of men. Yet there the fact is. In this struggle, the attitude of the world's people to North American capitalism is a decisive element. Our statesmen have developed a pattern of alliances. Our military men are pushing forward our intercontinental defense program. We have, in short, set up strong defenses against the physical weapons of the Soviet Union. But

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Labor Looks At the Changing Economy

By Jack T. Conway

• Adam Smith and Karl Marx wouldn't be the only ones puzzled by the American economic system today. Henry Ford and Sam Gompers would have trouble recognizing it, too.

Even a multi-ton electronic computer — symbol of the Second Industrial Revolution launched by automation and atomic energy — couldn't add up such diverse factors as these:

- Smith taught that supply and demand would automatically adjust prices. But, in spite of falling sales and surplus goods in key industries, prices go up.
- Marx thought the rich would get

• JACK T. CONWAY graduated from the University of Chicago in 1940 with a B.A. degree and taught for two years at the University of Wisconsin. Between 1945-46 he served as assistant director of the University of Chicago Round Table. In 1946 he was appointed to his present position as an administrative assistant to UAW President Walter P. Reuther. In 1955 he acted as technical consultant to the European Productivity Agency of the Organization of European Economic Cooperation. He participated in the planning and drafting of the UAW's Guaranteed Employment Plan and helped negotiate the Supplemental Unemployment Benefits program. In recent years, Mr. Conway has become one of the UAW's top authorities on automation and technological change. •

richer and the poor would grow increasingly poor. But the progressive income tax, social legislation and strong free trade unions have reversed the process.

- Ford believed in increased production and lower unit prices by his family-owned company. Today giant corporations operate at reduced capacity and boost prices to increase profit margins.
- Gompers advocated that unions stick to bread-and-butter issues and eschew political action. Modern unions recognize that their field of activities is as broad as their members' needs.

How did these things come about? How do labor and management react to each other today? Where are we going? What — and when — will be labor's last demand? Let's look first at how we got where we are.

A backward look

Companies owned by one or two individuals or even families have met the fate of nickel beer. Farmers and small businessmen, once the keystones of the American economy, have dwindled to minority status.

In 1904, only 23.6 per cent of America's manufacturing establishments were corporations, but they employed 70.6 per cent of the workers and produced 71.9 per cent of the value added by manufacture. By 1947, latest available Commerce Department figures show, corporations made up 50 per cent of all manufacturing establishments, employed 90 per cent of the wage earners and cre-

ated 92 per cent of the value added by manufacture.

Impersonal corporations have grown to dominate America's mighty industrial machine. In recent years they have expanded in size and power.

In 1898, the four largest firms accounted for only 27.2 per cent of the existing pig-iron capacity. Fifty years later—in 1948—the four largest steel corporations accounted for 66.8 per cent of capacity.

According to a 1957 Senate committee report, the four largest producers in each industry in 1954 accounted for 99 per cent of primary aluminum, 98 per cent of passenger cars, 94 per cent of motor coaches, 93 per cent of electric lamps, 90 per cent of aircraft propellers, 89 per cent of telephone and telegraph equipment, 89 per cent of locomotives and parts, 85 per cent of steam engines and turbines, 82 per cent of cigarettes, 81 per cent of metal cans, and 78 per cent of tires and inner tubes.

Profits, bigger and juicier each year, are the major, if not the sole, concern of these mammoths. Boasting ownership by hundreds of thousands of stockholders, these corporations are nevertheless controlled and administered by a privileged few. Although 8 per cent of the American people own stock in American corporations, less than 1 per cent of the stockholders own 83 per cent of all stock issued.

"There is probably no company in the United States that affects the lives of the citizens as much as General Motors," a Senate subcommittee said.

Despite its 656,000 stockholders, GM is tightly controlled. Its 15 largest stockholders own 33 per cent of its stock and its 50 largest own 39 per cent. Actually, the corporation is run by its 34-member board of directors, who control the fate of 500,000 employees, 18,000 dealers, and thousands of others dependent on GM.

GM policy has called for an annual net profit of 15-20 per cent, the Senate committee discovered. The policy has succeeded. In the past 8 years, the company has averaged an annual profit after taxes of 25 per cent. In 1956, GM made \$2.31 profit (before taxes) for every man-hour worked in its U. S. plants.

Factors that have shaped the U. S. labor movement

Just as American industry has taken a turn not foreseen by either Adam Smith or Henry Ford, so has the American labor movement developed to a point that would be difficult for either Karl Marx or Sam Gompers to understand.

Unlike its European or other foreign antecedents, the American trade union movement has been shaped by a number of unique factors.

First, for various historical reasons, American workers are not class conscious. They do not join unions automatically out of class loyalty and class solidarity. They must be convinced that the union has something to offer them.

Second, American workers approach problems pragmatically. They do not believe in ultimate Utopian or revolutionary solutions to our complex social and economic problems. No single ideology can be counted upon to unify them and supply automatic solutions or slogans for every problem.

While they have no ideology, this does not mean that they lack a philosophy. That philosophy, if it can be called such a grandiose name, is that all institutions, practices and programs must be weighed in terms of their contribution to human values—human welfare, human dignity and security and human progress—and institutions must be reshaped, where



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necessary, to make them serve those values.

Third, there is no political party that can speak for the workers as such or for an alliance of workers and other groups with common interests. The primary means for advancing workers' interests has been the trade union movement and collective bargaining.

Fourth, perhaps because of the absence of a labor political party, social and labor legislation came to America late, while other labor-benefiting laws have not yet arrived at all. Only in the last 25 years have unemployment insurance, government pensions and minimum wage laws been put on the books. Although practically every other industrial nation in the world has medical care legislation, there is no health insurance or health service law on our statute books. Since the absence or inadequacy of labor and social legislation did not lessen the workers' needs in these fields, they turned naturally to their unions and collective bargaining for all that the law did not provide.

Hostile to the organization

Fifth, because employers were bitterly hostile to the organization of their workers, organization was won the hard way. In the major industries, unionization was not achieved until a quarter of a century ago. Companies in each industry had to be organized one by one and in the case

of multi-plant corporations, shop by shop. When a union was formed, the workers were well aware of the need for united action in presenting their demands to their employers.

Sixth, a cross-section of the American public was employed in mass production industries and eligible for membership in the burgeoning industrial unions of the 30's. CIO industrial-type unions were not limited to a single skill, race, color, religion, sex or education level. Everyone was welcomed.

These six basic factors have impressed their marks deeply on American trade unionism and collective bargaining procedures. They account in large part for the much greater reliance of American workers on collective bargaining and contract rather than law or political ideology for the solution to their wage and other grievances within the plant as well as their problems of security outside the plant gates. The very diversity of the membership has made it imperative that American unions tackle all of the basic problems that beset the American people, some of which require legislation. Progress made by unions in solving the workers' problems, and continued, although lessened, employer hostility have strengthened the loyalty and solidarity of American workers and made them willing to sacrifice and often endure hardships to achieve their union objectives.

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Varied labor-management relations

Out of this management and labor background has arisen a system of labor-management relations in the United States that is as varied as its participants. Unions have adapted their collective bargaining techniques to the industries and managements with which they bargain.

Since my own experience has been with the United Automobile, Aircraft and Agricultural Implement Workers of America (the UAW), I shall speak primarily of my own union and the industries with which it has contracts. Because we have so often pioneered in extending the collective bargaining contract to cover problems previously untouched and because our union contains nearly 10 per cent of America's organized workers, our experiences and hopes may have wider relevancy.

With a few notable exceptions, industry, and the automobile industry particularly, has laid aside its black-jacks and tear gas and has interred its more violent epithets in dealing with unions. Of course, the Kohler Company, of Sheboygan, Wisconsin, is a symbol of the survival of Neanderthal industrial policies in this atomic age.

But generally, the conscious social, political and personal response of management to unions has altered. One example of this is the changed management attitude toward union representatives. They used to be considered as interlopers and parasites. Today most companies consider union people as legitimately in the industrial society, performing a role that is as relevant and necessary as *almost* any management role. To be accurate, you can't omit the word "*almost*."

This altered relationship between management and unions has produced an unique competition between the two. It is not co-existence, nor the interaction of majority and loyal opposition. And it no longer is the open warfare of two competing armies or even hostile football teams.

Perhaps the relationship would best be described as cooperative competition. It is a relationship which is fluid and has no outside or fixed bound-

aries. It is a relationship between two increasingly interdependent organisms that are joined together by a collectively-bargained agreement — each retaining considerable independence from the other and each dependent somewhat upon the other, but both definitely dependent upon society as a whole for their continued existence.

From this interplay have come many modern offspring. Umpires, arbitrators, joint boards to administer the pension and supplemental unemployment benefit programs, and joint committees on apprenticeship and safety are but a few examples.

In a situation where two formerly opposing and mutually resisting forces at one time resolved their opposition by a coercive victory, there has emerged a policy of limited and bounded conflict.

The increasing concentration of economic power on the management side shows no signs of halting. Major unions have a bigger say in the economy because the parties they deal with have gained such power and strength. Greater power places greater responsibility on both sides of the collective bargaining table. Their acts affect the entire community.

Conditions of mature labor management relationships

If management wants to quell some of the attacks labor leaders continue to level at their tactics and programs, if it truly wants to establish a more mature labor-management relationship that will emphasize cooperation more than competition, then it must govern its actions in the months and years ahead by six basic principles. Briefly stated, these are:

1. Freedom is a basic and indivisible value. Free labor cannot exist without free management and free management is not possible without free labor. They must recognize without qualification their mutual right to exist. Kohlerism must be abhorred as strongly by management groups as Beckism is denounced by labor. Fair, reasonable wages should be just as much an outgrowth of our private enterprise system as fair, reasonable profits.

2. Labor and management have a lot more in common around the basic human and democratic values that we, as a free people, believe in and cherish than they have in conflict on the smaller interests that seem to divide us. By working together on the "big issues," we can create the kind of constructive relationships which will enable us in good will to resolve the areas of conflict.

3. To make lasting progress, labor and management must facilitate progress for the entire community. Neither side lives in a vacuum. Collective bargaining must be elevated above the level of a struggle between competing economic pressure groups, if labor and management are to discharge their social and moral responsibilities to the entire community. In a free society such as ours, both sides must recognize that the interests of our whole society transcend the interest of any segment, whether it be labor or management.

4. Bargains arrived at jointly should, in a free society, be based upon economic facts and not upon economic power. We need to rely more on the power of economic persuasion and less upon the persuasion of economic power. Arbitrary decisions, made as the result of naked economic power, frequently conflict with the basic needs of society as a whole. Too often the economic facts are hidden behind private economic iron curtains. Since every decision arrived at by a major corporation and a big union affects the entire community, collective bargaining is truly the people's business—and they have a right to know the basic economic facts on which vital decisions were based.

5. Both labor and management must voluntarily exercise social and moral responsibility, if they are to avoid government intervention. When an unsolved problem gets to serious proportions, the people generally will insist that the government move in to fill the vacuum created by the failure of economic groups to meet the problem on a voluntary basis.

Although no one has charged the UAW with being corrupt or undemocratic
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1927 _____



1934 _____



1935 _____



1937 _____



1939 _____



1940 _____



1945 _____



1947 _____



1949 _____



1956 _____



1958 _____

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ANSWERS AT BOTTOM

30th Anniversary Clipper Quiz

On the morning of October 28, 1927, a staccato roar of engines ushered in a new era in commercial aviation . . . the Stars and Stripes flew in international skies.

The first Clipper,* a Fokker F-7, lumbered into the air at Pan American Field, in Key West, bound for Havana—90 miles away across the Straits of Florida.

Since then the parade of Pan Am Clippers has swiftly extended its wings to embrace the earth—wings that have changed from the 100-mile-an-hour variety, to swept back jobs that nuzzle the speed of sound.

And Pan Am has earned its place as pacesetter in the skies: aircraft research, engine analyzers, reduced fares, jet stream studies, the creation of and insistence on standards of perfection that have made the slogan—

World's Most Experienced Airline—an international reality.

Behind Pan Am's relentless attempt to attain perfection is the philosophy of this airline. A philosophy that is essential to stimulating the growth of the aviation industry—make the magic of air travel available to every man.

In the past 30 years Pan American's skyway has grown from that first 90-mile flight to encompass 82 lands on 6 continents. In the next 30 years, we can merely hazard guesses and dreams—but whatever progress develops, Pan American will be, as in the past, in the forefront of international aviation.

*TRADE-MARK, REG. U. S. PAT. OFF.

ANSWERS: 1927—E; 1934—F; 1935—I; 1937—J; 1939—A
1940—H; 1945—B; 1947—D; 1949—K; 1956—G; 1958—C

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cratic, it has voluntarily established a public review board, composed of seven outstanding citizens, with full power to investigate and remedy allegations of undemocratic, unethical or dishonest practices or conduct on the part of any UAW officer. We believe this to be a good example of social and moral responsibility.

In the same manner, large corporations in price-administered industries might demonstrate their public responsibility and forestall government price and profit controls if they were to voluntarily agree to justify price increases before a public fact-finding agency, subject to cross-examination by interested groups, before such increases are put into effect.

6. Finally, there must be a single set of moral standards at the bargaining table. In past years, major corporations refused to grant pensions to their hourly-paid personnel, while making generous provision for their executives. Today, many of those with ample resources and time for the creative use of their leisure hours, would deny to the mass of American workers the increased purchasing power and shorter work week that will make possible the development in America of the greatest, happiest, most creative civilization the world has ever known.

A forward look

This brings me, quite naturally, to what labor might expect from management in the future.

In the past 10 years, unions like the UAW have devoted a major portion of their energies into the construction through collective bargaining of a solid foundation for a social security program for workers who are sick, injured, old or forced into idleness through no fault of their own. The basic principles of company-paid pensions, hospital-medical care, sickness and accident protection and supplemental benefits to unemployment insurance have already been established. In subsequent negotiations, they can build upon this foundation by improving the benefit structures, the extent of coverage and the administrative machinery.

The next ten years will find the pragmatic, democratic, diverse, free

American labor movement devoting its major attention to the primary problems of the day. These will arise mainly from the increasing introduction of automation, other technological improvements and industrial harnessing of atomic energy. Three principal areas will require the joint attention of labor and management in the years ahead.

Sharing economic abundance

The first problem area involves the sharing of economic abundance. We no longer have to divide up economic scarcity. Labor will want to ensure that the introduction of automation and the radically new technology into our factories and offices redounds to the benefit of all through greater constructive leisure and not in forced idleness through unemployment. We will also insist that the economy of our nation is kept in balance so that there is sufficient purchasing power in the hands of the American wage earners and consumers to buy back the immensely increased supply of goods that we can make in less time.

To achieve these twin objectives of increased purchasing power and greater leisure, a reduction of the standard work week below 40 hours with a concurrent increase in weekly take-home pay is essential. Higher living standards for the entire nation and the virtual eradication of poverty in America will be among the results of this next major step forward in collective bargaining.

"American productivity," said a recent 20th Century Fund report, which is actually conservative in its projections, "is increasing so rapidly that if present rates continue, in another century we shall be able to produce as much in one 7-hour day as we now produce in a 40-hour week. . . . Long-term trends indicate an average work week perhaps as low as 37½ hours in 1960."

The introduction of automation creates a second major area that will require practical solutions at the bargaining table. With the upward revision of skill requirements accompanying automation and with industry generally introducing the new processes in new factories often dis-

tant from its old ones, such problems as automated wage rates, modernized seniority provisions, moving costs, severance or relocation pay and transfer rights will tend to occupy the center of the industrial relations stage.

A third area to which labor will devote attention in the Second Industrial Revolution is following the jobs as they "disappear" from present bargaining units and appear anew in some form or other "outside" the bargaining unit.

As fewer and fewer production workers are required in the production process as a result of automation, job types disappear from the bargaining units. New jobs, programmers, analysts, technicians, etc., are appearing outside the bargaining units and the unions are going to follow the new jobs. The problems of office workers, technicians, engineers, will increasingly occupy a prominent place at the bargaining table.

Many employees will heed call to battle

This will not happen without considerable resistance, however. We recognize that many employers will heed the call to battle by the NAM when they say "We have lost the battle of the hourly workers, let's close ranks and fight before we lose the battle of the salaried workers."

During this new phase of collective bargaining, when the unions will become more engrossed on the traditional goals of higher wages, greater leisure, and broader job protection, the employers in their frantic efforts to head off organization of their salaried office workers, technicians and engineers, will themselves create a new set of fringes, a new set of double standards which will create the basis for trade union demands of the future in the area of new fringe benefits.

In 1923, Henry Ford wrote that in his plant "The length of time required to become proficient in the various occupations is about as follows:

"43 per cent of all the jobs require not over one day of training;

"36 per cent require from one day

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Management and Labor: Contestants or Collaborators?

By Neil W. Chamberlain

● In discussing the role of the corporation, and presumably the large corporation in particular, Mr. Coleman emphasizes the moral responsibility of management as trustee for multiple interests. He refers, in a striking phrase, to the corporation as a "moral community."

This is a point of view which has received wide currency in recent years, and Mr. Coleman places himself with the advance guard of American management in espousing it. At the same time it leaves unanswered a major question concerning the basis for managerial authority, however moral management's intent. Who is to judge if managers are measuring up to the moral responsibilities which

they thus assume? If the purpose of business is, as Mr. Coleman argues, "to serve the community, to provide a just return to capital, and rewarding and satisfying work to employees," by what standards may we measure whether these purposes are being adequately met in any particular case, and by what procedures may we enforce performance of these responsibilities?

An old story

It is now an old story that in most corporations of any size the dispersion of stock ownership makes their control over management policies tenuous indeed, even assuming that they, as one interest group, would be willing to safeguard the welfare of other interest groups and the community at large. Public opinion has sometimes been called the ultimate arbiter, but it acts only erratically and is subject to manipulation. General environmental pressures, such as the body of laws, the system of economic competition, and cultural traditions, do, of course, define the context within which corporate policies must be made, but this framework still allows a considerable area of discretion.

We are driven back to the suspicion that managements in modern public corporations are asserting responsibilities—and assuming authority—which are to a large extent self-defined and without any certain basis in the consent of others. Some officials in our largest corporations have confessed (at least in private) to an uneasiness at wielding admittedly great powers on the strength of their tenu-

ous legal connection to a shifting, amorphous body of stockholders. Indeed, this phase of the corporate story is now sufficiently familiar to most of us that we tend to ignore it as "old hat."

Yet I agree with Mr. Coleman's general conclusion that imperfect and anomalous as is the modern corporation, it has on the whole worked well for the benefit of the American people. It is an intrinsic part of an economic system which has produced efficiently, distributed its outpourings widely, and—in contrast to institutions elsewhere—infringed remarkably little on the freedoms of those who compose it.

The role of unions

Mr. Conway is, of course, right in pointing out that the unions can claim some credit for this result. In contrast to organized workers in other countries, organized workers in the United States adjust more readily to change and are less obstructive of technological progress—despite the disbelief which such a statement might elicit from some harassed managers. Unions have been an effective prod in the distribution of corporate earnings to wage workers, insuring the mass markets on which industry depends. The personal security which most workers feel in the face of personnel actions by the "boss" is perhaps the most solid achievement of the unions. In part, American managers have espoused the kind of moral responsibility which Mr. Coleman argues so eloquently under a rigorous educa-

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● On leave from his post as Professor of Economics at the Graduate School of Business, Columbia University, NEIL W. CHAMBERLAIN is serving as Program Director in Economic Development and Administration of the Ford Foundation. He studied at Western Reserve University and received his Ph.D. in Economics at Ohio State University. He is the author of many books and monographs, including *A GENERAL THEORY OF ECONOMIC PROCESS AND UNION CHALLENGE TO MANAGEMENT CONTROL*. Prior to his association with Columbia University, he was Associate Professor of Economics and Assistant Director of the Labor and Management Center, Yale University. ●

tional training administered by the militant labor movement of the 'Thirties.

But Mr. Conway claims too much. He has failed to mention that the labor movement itself required education in the needs of the broad base of the population whom it was theoretically designed to serve. It is easy to forget that labor leaders once were lukewarm and even opposed to a statutory minimum wage and a governmental system of unemployment insurance. I feel sure that Mr. Conway, with his roots in the CIO, would agree that the pre-1935 labor movement was in considerable measure an agency of the better-paid and "aristocratic" groups of labor rather than of the underprivileged. It was primarily the radical fringe elements—like the IWW and the Socialists—which, prior to the CIO, interested themselves in the lot of the less fortunate workers. So the labor movement itself had to go through an educational process in the 'Thirties, with results as profoundly affecting its character as they did the character of American management.

In the course of this joint educational process, both groups have arrived at that acceptance of each other to which both Mr. Coleman and Mr. Conway attest. If now "most companies consider union people as legitimately in the industrial society," so too do most union leaders recognize that the prosperity of their members depends in the final analysis on the efficiency of American business.

Power and morality

Despite this rapprochement, important differences of opinion have persisted and must persist between the two groups. Acceptance of each by the other does not connote an identity of interests. But on the question of how such differences can be resolved, the statements of these two spokesmen are relatively silent. Mr. Conway, like Mr. Coleman, appeals to an exercise by both parties of social and moral responsibilities. Like Mr. Coleman, Mr. Conway passes lightly over the issue of economic power. Indeed, at times I cannot escape the feeling that he would regard power as the antithesis of morality. He expresses a hope

for and confidence in "the power of economic persuasion"—agreement arising out of the facts.

But it is sometimes difficult to obtain agreement on the "facts," and even where this proves possible, judgments based on them can and do differ markedly. The old economic problem of scarcity—the inability to satisfy the material desires of all—cannot be exorcised by invoking euphemisms concerning an approaching "era of abundance."

Conflicts over the division of the spoils inevitably will emerge and inevitably must be resolved—by power. Facts cannot resolve such issues, since there is no single standard—no moral imperative binding on all disputants—to which the facts can be referred for decision. The question of the length of the work week, to which Mr. Conway refers, can scarcely be settled by any compilation of data, however relevant. Even within union circles there is division and uncertainty of opinion as to whether more leisure or more income is the desideratum.

Importance of moral element

We do not deny the importance of the moral element, however, if we openly face the fact that economic and political power are essential ingredients of corporate activity and the economic system. Power is directed to specific ends, and moral judgments must be made concerning their worth and equity. I would only argue that it is better to admit that corporate policy and economic decisions are rooted in differences of views resolved not only by an appeal to reason but also by an appeal to bargaining power.

Since we cannot escape the exercise of economic and political pressures, we should avoid the attitude that there is something wrong about their use. Instead, we should appreciate the role of power and the moral demands which its use makes on us. Thus to say that the corporation is a moral community is not to deny that it is also a community of contentions backed by degrees of power—and these inside the management group and inside the union group as well as between them.

Institutional conflict

One of the really significant developments in the American corporate system is that we have managed to *institutionalize* within the firm devices for resolving differing views, even though these devices necessarily involve a contest of relative powers. While the tempers of management and union officials are often exacerbated as they test their powers against each other, the fact remains that with relatively few exceptions the contest is not viewed as a contest for survival. When a strike is called because neither management nor union has conceded enough to win the other's agreement, both sides go into the conflict with the confident expectation that it will be only a matter of time before the issues are settled somehow and the two parties will again be working together.

It is partly shifts in the relative bargaining strengths of interest groups like management and labor that have given rise to those changing relationships between people which Mr. Coleman points to as providing dynamism to the economic system. If public opinion cannot significantly affect particular policy decisions in corporations or unions, it can and does continually confront and resolve the question of whether the powers of interest groups should be modified to strike a different balance.

Power of labor unions

The power of labor unions, for example, was different in the 'Thirties from what it had been in the 'Twenties, and is different now from what it was in the 'Forties. Management's area of discretion similarly has not remained static. It is partly the fact that such shifts in the relative bargaining power can take place over time, accommodating pressures before they explode from repression, or repressing pressures before they increase too greatly to accommodate others, which gives viability to our economic system.

Moreover, the assertion of power must always take place in a social setting. Shifts in bargaining strength are

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to a significant degree a reflection of changes in the social context. The areas of managerial discretion within the corporation—however great—are still bounded by the necessity for its conformance to social compulsions. In examining the role of the corporation in the American economy, then, it is necessary to take cognizance of controlling developments in society itself. In the confines of this short piece no catalogue can be attempted, but two major social changes may be noted, by way of example, which profoundly affect the character of corporate activity.

Diffusion of power

The first is the world-wide egalitarian philosophy of the present century. However much we may dislike for ourselves systems of socialism which have been adopted elsewhere, we cannot evade the fact that the same moral force lies behind many of the social policies which have been integrated into our system of private capitalism. The graduated income tax is now accepted as a legitimate and desirable fiscal device, even though we grumble at its burden and even though some may—perhaps with good reason—complain that its levelling effects have been carried too far. Minimum wage legislation is not now seriously combated, even though specific statutory levels may be opposed.

This egalitarian philosophy has had its effect in reducing differentials of income, of status, of control over the institutions of society. Industrial democracy (collective bargaining) is one expression of this pervasive moral conviction. As Mr. Coleman has suggested, power and all that power connotes are viewed as something to be widely disseminated in our society rather than concentrated in a few hands. The American response, which by some abroad has been viewed as reactionary because it does not embrace the shibboleths of socialism, has in fact been far closer to the realization of this egalitarianism than most systems which have paraded the outward forms and voiced the slogans but ignored the reality.

This broad tendency towards more equal status for all in our society im-



Dr. Chamberlain

plies no "dead levelling," to be sure. Differential rewards, prestige, and authority will persist in any society. The movement towards a reduction of such differentials has been unmistakable, however.

Economic enlightenment

A second major development affecting the nature of corporate activity has been the sweep of economic enlightenment replacing superstition. It was not long ago that depressions were viewed as the equivalent of the devil in orthodox theology—a necessary evil, to be avoided if possible, but certain to be recurrently confronted because of human failings. Alternatively, depressions were regarded as a kind of purgative by which the poisons which had accumulated in the body economic could be periodically expelled. The potentialities of controlling the economic system for the achievement of identified ends, of making it more of an instrument of social planning, were scarcely conceived.

Today, with improved economic understanding, we have the means (roughhewn though they may still be) and equally important we have the will to harness our economy to such objectives as stable and full employment and a rising gross national prod-

uct. We have invented the mechanics for insuring individuals against a variety of economic catastrophes—work-connected injuries, loss of job, old age, and (still haltingly, but surely just over the horizon) ill health. We have largely rid ourselves of the idea that the provision of such social insurances is in itself somehow morally debilitating because it relieves the individual of any personal responsibility.

This increase in economic enlightenment and understanding, like the egalitarian movement cited above, profoundly affects the role of the corporation. In this changed environment its methods of decision and policy making, its long range planning, and its structure of personal relationships have also changed.

It is not easy these days to answer the questions: What is the corporation? What is its role? Who composes it? To whom do its managers owe their position? What responsibilities must it assume and how are these to be enforced? It is significant, however, that one sure area of agreement between Mr. Coleman and Mr. Conway is that, however fuzzy the answers to these questions, the modern private corporation in the United States is a very useful institution, to be preserved and perfected. ●

An Asian View

By Vera Micheles Dean

● To give "an Asian view" of the American economic system is an impossible task. For on this subject, as on many others, there is not one Asian view, but a wide range of opinions, depending in the case of each nation on the stage of its economic development and the amount of resources available in relation to its population; and in the case of each individual on his own position in society, which naturally affects his attitude.

Thus Japan, the most technologically advanced country in the non-Western world, shares the American belief in the advantages of free enterprise capitalism; and so does Thailand, still a primarily agrarian nation, whose rich resources of rice are adequate not only to feed its small population, but also for export which brings in foreign exchange.

By contrast, India, 80 per cent of whose 360 million people live under

primitive conditions in villages comparable to those of pre-medieval Europe, believes that government initiative under democratic parliamentary rule is essential to give the nation a twentieth-century economy in the shortest possible time. If you talk to a government official or technician in New Delhi, he will argue that the business community thinks in terms of personal enrichment, not in terms of the people's welfare which, according to them, must be the first concern of the state.

Capitalism of today held suspect in light of past experiences

Out of this diversity of views, however, three main trends of thought emerge. First, many Asians, irrespective of their political affiliations, are critical of the American economic system, largely because they think of American capitalism as it existed in the nineteenth century—the capitalism of "The Robber Barons." They readily accept this picture of capitalist enterprise, because it had been familiar to them on two planes: the plane of Britain's early Industrial Revolution days, when the poet William Blake wrote about England's "dark Satanic mills"; and the plane of their own entrepreneurs, who under the colonial rule of Britain, France and the Netherlands did not have an opportunity to acquire the techniques of investing capital, and instead acted for the most part as middlemen, moneylenders, or speculators on commodities, more intent on getting a quick profit than on planning the long-term development of basic industries.

At the same time, many Asians long associated capitalism with colonial imperialism. For example, in

India the British concentrated on the development of industrial crops, notably jute and cotton for export, rather than on expanding food crops for a rapidly growing population. They opposed the establishment of factories — particularly cotton mills — which would have competed (and now that India is independent, do compete) with British products. And until the 1920's they also opposed the imposition of tariffs by India on British goods. Thus to India, British capitalism appeared both as an instrument for exploiting its natural resources for the benefit of British industry, and as a method of retarding its economic development. India's struggle for independence under the leadership of Gandhi was as much a struggle for economic as for political liberation from British rule.

The Indians' opinion of Western capitalism was derived, in the first instance, not from Marxism or Leninism, but from the penetrating criticisms which British Laborites made both of Britain's industrial methods at home and of its imperialism in underdeveloped countries. Similarly, the views of Asian critics of the United States are shaped less by Communist propaganda than by the sharp questions which American writers raised about our economic system from the end of the nineteenth century to the days of the New Deal.

Understanding each other

If Asians are to understand the American economic system as it exists today, a two-way educational job needs to be done. On the one hand, the United States must understand the historic reasons—largely the heritage of Western colonial rule — which

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● Born in Russia where she was privately educated, VERA M. DEAN came to this country in 1919. She has a B.A. and Ph.D. from Radcliffe College, and an M.A. in international law from Yale University. Editor of the *Foreign Policy Association Bulletin* and *Headline Series*, she is also the author of several books, including *THE UNITED STATES AND RUSSIA, EUROPE AND THE UNITED STATES, FOREIGN POLICY WITHOUT FEAR AND THE NATURE OF THE NON-WESTERN WORLD*. Mrs. Dean taught a course on "U. S. Foreign Policy in the 20th Century," at the Indian School of International Studies in New Delhi last summer. ●

today make American capitalism suspect in Asia, and do everything possible to make sure that our businessmen are familiar with these reasons and, in their relations with Asian peoples, avoid actions which might reinforce or justify these suspicions.

On the other hand, American business, as well as United States information personnel, should inform Asians in an objective—not a propaganda-manner about the far-reaching changes in the character and methods of the American economic system that have taken place in the past quarter of a century. By looking at ourselves through Asian eyes, we shall have the advantage of understanding our assets, as well as our liabilities, better than we do today.

Awed by American technological advance

And—this is the second important point to bear in mind—many Asians, by no means only the Japanese, are well aware of our assets. Those who have visited the United States, including the often critical Indians, are deeply impressed by the technological achievements of the American economic system. Not only are they struck by the wide range, variety and quality of American manufactured goods, but also by the availability of these goods at prices that an increasingly large number of customers can afford to pay. They admire the efficiency of our large-scale industries—steel, automobiles, airplanes. New approaches to regional development, notably the Tennessee Valley Authority, have made a strong impact on Asia; and India has followed the TVA pattern in its DVC—the Damodar Valley Corporation—designed to provide power and electricity to one of its principal industrial areas, north of Calcutta. Asians admire also our high productivity, as well as the relations capital and labor have achieved in our most modern enterprises. And they look with a sense of wonder bordering on awe at our standard of living, the highest in the world.

The very fact, however, that it is so high—that our economy is in advance even of the most industrialized nations of Western Europe — makes the

Asians feel that, under the most favorable circumstances imaginable, they can never hope to match our achievements, and that consequently they cannot pattern their future development on the American economic system. They realize, much more clearly than most of us do, that they start their industrial revolution with several strikes against them as compared with the United States, or even with Britain and France at the end of the eighteenth century.

Dissimilar conditions

Unlike us, they do not have a vast untouched territory to develop, with wide open spaces available to a numerically small population of skilled men and women who had the courage to defy political or religious persecution and to build a new nation in what was once a wilderness. They do not, with a very few exceptions, have at their disposal that rare combination of agricultural resources and raw materials essential for modern industry which the United States has the good fortune to possess. Nor do they enjoy, at a stage of their development when we felt secure from foreign invasion, protection from pressures of all kinds by one neighbor or another.

Japan lacks raw materials for its own modern industry, and must literally “export or die.” India has iron and coal, manganese and thorium, but little oil. Neither Japan nor India has adequate food for large and still growing populations.

India, burdened with a vast population — as compared with the small numbers Britain and France had to support when they began to industrialize at the end of the eighteenth century—cannot, like the West at that time, find relief in emigration overseas or the use of cheap raw materials from colonial empires. Although Japan, developing its economy for decades in comparative security, succeeded in accumulating its own capital resources, it still depends on the outside world, most of all the United States, for investment funds and foreign exchange, now in short supply. And India, urgently in need of long-term loans if it is to complete its modest second Five-Year Plan, has

little hope of obtaining them except from the United States.

Asian realism and aspirations

Because the American success story, for non-Western peoples, seems a remote fairy-tale, not a realizable goal, Asian leaders, in the third place look to other systems for their economic development.

Except in the case of convinced Communists, this does not mean uncritical acceptance of communism as a doctrine or as a way of life. What it does mean is a desire to study,



Mrs. Dean

with an open mind, the methods of organization and production practiced by Communist countries — and China, itself an Asian country, is of far greater interest to Asians than Russia — with a view to adapting them, whenever possible, to the conditions of a given country. India, which rejects Peiping's totalitarianism, believes that it can benefit by experimenting with the agricultural practices which have brought high productivity to the Chinese, just as it has profitably adopted Japan's rice-growing techniques.

For by and large Asians are realistic, and modest in their aspirations. They dream, not of tractors, but of slight improvements in their ancient ploughs; not of a car in every garage, but of a bullock to help plough the tiny landholding or haul the family cart; not of three meals a day, but of one decent meal instead of semistarvation; not of a closet full of dresses for a peasant woman, but of two garments instead of one; not of

a house equipped with modern appliances, but of a modest brick home instead of a mud hovel. And whatever system can satisfy these humble needs in the visible future will win the support of Asian peoples, regardless of its label.

America's role in Asiatic development

What can the American economic system contribute to the fulfillment of these modest aspirations? It can make four major contributions:

First, it can contribute technical aid, geared not to American potentialities for development, but to the relatively limited possibilities of the Asian economies, and do so with a sense of respect for the values, the traditions, the hopes of the peoples of Asia—not with the expectation of immediate rewards, either in terms of money or in terms of wholesale affection for the United States.

Second, the United States can make long-term loans, rather than gifts or grants, to maintain the momentum of the development that has already been started in Asia. The time for loans is *now*, not tomorrow or the day after tomorrow — and the amount loaned must be far larger than anticipated at the present time, when our proposed development fund is set at \$500 million, or less than .3 of 1 per cent of our national income. Unlike gifts or grants, loans will encourage a feeling of self-respect in Asia, and avert the sense of dependence on the United States which, for many Asians, is painfully reminiscent of colonial imperialism.

Third, the American business community should encourage—even better, initiate—a sober worldwide reassessment of available resources of raw materials and industrial potential, to see how these resources and potential can be most effectively and equitably used for the benefit not only of the already advanced nations of the West, but also of the underdeveloped peoples who are still waiting to be developed.

And, fourth, the American business community should similarly encourage—even better, initiate—a worldwide study of markets, to see where



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the underdeveloped areas which must obtain foreign exchange if they are to purchase goods in the United States and other Western nations, can sell their products at stable prices, avoiding sharp fluctuations on commodities such as rubber and tin, cotton and copper, which create economic distress and foster political unrest.

The test of the American economic system, which beyond doubt has

proved its mettle in the United States, will, in the difficult years ahead, be its capacity to look outside our borders, to understand the problems of Asia as well as other underdeveloped areas, and to display on the world scene the vision and generosity which, once and for all, would dispel the assumption that capitalism must be equated with selfish interests at home and with exploitative imperialism abroad. ●

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A View from The Non-American World

By Sir Douglas Copland

● The economic system in the United States was developed in conditions very different from those of today's world. Freedom of enterprise to develop what was found to be the richest territory in the world was the mainspring of action.

On both the economic and political grounds, there was a sense of aloofness from the other vital center of world activity, Western Europe, though both capital and people came in abundance from the United King-

dom and other European countries that were developing industrial and financial structures to take advantage of the rapid growth of international trade, and the opportunities offered by expanding colonial empires.

The United States was engaged mainly in developing its own estate to the advantage of its rapidly growing population, and indirectly to the advantage of the Western world. Growth was assumed as part of the natural order of things, and freedom from international entanglement was an article of faith. In these circumstances, private enterprise was the principal, almost the sole, instrument of development, and the profit margin the acid test of success.

The resources of the country were sufficient to support great industrial and financial empires on a pattern and scale never before developed under private enterprise. It is true that under the Monroe Doctrine a sort of protective mechanism was established over Latin America, but this was merely a specific example of the belief that isolation was the best policy. Though great differences in wealth and income became the accepted pattern, the standard of living as a whole rose more rapidly and to higher levels than anywhere else, and this seemed to satisfy any latent sense of social justice. Some curbs were eventually set on the banking system and on the growth and power of trusts, and con-

troversies over banking and "trust busting" were the only expressions in politics of attempts to control the free working of capitalism. To the outside world, therefore, the development of the American economy under its vigorous and undisciplined form of free enterprise was perhaps an object of envy and a signal contribution to an expanding world, spoiled only by what appeared to the older countries to be a blind and ultra-nationalist devotion to tariffs.

Dramatic change

This was the picture up to the end of the nineteenth century; it was to change rapidly and dramatically by the events of the first four decades of the twentieth century.

These events embraced two world wars, eventually involving the American people and their economy in a major and vital international struggle; a great and humiliating depression; the decline of Western Europe as the leader of the Western economy; the inevitable assumption of leadership by the United States; the challenging growth of a new and vastly different economy in the rise and spread of communism; the break-up of colonial empires and the rise of resurgent nationalism in what has come to be called the underdeveloped economy; and the emergence of the "welfare state" in the so-called free economies of the Western world. This was

● SIR DOUGLAS COPLAND has had a long and distinguished career in Australian public and academic life. From 1924-44 he was Professor of Commerce and Dean of the Faculty of Commerce at the University of Melbourne. During the war he was Commonwealth Prices Commissioner and Economic Consultant to the Prime Minister of Australia. He served as Australian Minister to China from 1946-48 when he was appointed Vice-Chancellor of the new Australian National University in Canberra. In 1955 he presided over the Economic and Social Council of the United Nations. He is now Principal of the newly established Australian Administrative Staff College, Australia's first business school. ●

change on the grand scale both in magnitude and in the shortening of the time-span, probably the most striking and breath-taking in the history of mankind. It is in this atmosphere that the foreigner must now consider the working of the American economy and its response to a new and strange situation.

The foreigner may, and often does, have a reprehensible time-lag of his own in responding to change, and he may indulge himself in the common human frailty of living in the past. This does not preclude him from being critical of the time-lag in others, especially of those on whom the mantle of leadership has fallen. It is well to remember this in considering the attitude of the foreigner to the working of the American economy, even the friendly foreigner in the free world. Criticism is often in part the product of his own bewilderment in a world that has perhaps passed him by. In what follows every effort will be made to avoid this error, and to consider the American economy in its new situation and its vastly greater world responsibilities as objectively as possible.

The response of foreign aid

Perhaps the most striking response of the American economy to the post-war world was the support and leadership it gave in the tasks of relief and rehabilitation and economic reconstruction in a war-torn world. This was expressed in the United Nations Relief and Rehabilitation Administration, the healing ministrations of UNRRA to the communist and non-communist world alike. This was not a peculiarly United States effort; it was the effort of a number of countries in a position to contribute one per cent of national income, including Australia and New Zealand.

The death of UNRRA at the first meeting of the United Nations Assembly in New York in the Fall of 1946 was a mistake. I was a witness to its demise as a delegate to "Committee Two" from Australia, and only Canada of all the contributors stated a strong case for its continuation. UNRRA was strictly non-political and its abandonment was an indica-

tion of the shape of things to come. It is true that after the enunciation of the Truman Doctrine, itself in part—and necessarily so—a product of the emergence of the cold war, there was the highly imaginative and generous Marshall Plan. This was rejected by the Russians and their satellites, but it brought economic aid to Western Europe on an exclusively American basis on a scale never before attempted by any nation.

Aid in different forms

Aid in different forms, economic and military, has been continued to many countries, and the total Congressional appropriation for this purpose, mostly gifts, now amounts to about \$60 billion. Though it is increasingly associated with defense against communistic aggression, it remains the most striking response of the American economy to the new world situation, and by far the most generous and widespread aid that any single country has given to others. On this count, the record has much to commend itself to the foreign observer of the present-day working of the American economy. In actively participating in the World Bank for Reconstruction and Development, in the International Monetary Fund, in the Colombo Plan and in the Expanded Technical Aid Program of the United Nations, there is also striking evidence that the leaders of the American economy are aware of the contribution they can and should make to a world that is seeking to develop new and fruitful international economic relations.

Some Americans think it is not enough, and certainly that is the message of Adlai Stevenson in his *Call to Greatness* (The Godkin Lectures at Harvard University, 1954). Many foreigners think it is not enough, especially those in Latin America who, despite their long period of independence under the shelter of the United States and the richness and size of their estate, still live in the belief that they should be on the receiving end in any international plans for economic or technical aid. If this were not so, perhaps the United States might have been able and willing to



Sir Douglas Copland

do more, especially through proposals that have been made for a Special United Nations Fund for Economic Development (SUNFED), but which still remain a mere aspiration. Such a Fund would have been of great help to the underdeveloped world in the Middle East and in Asia in their present attempts to adapt their ancient economies to modern techniques, and to promote social progress among their vast and growing numbers.

It is perhaps not unnatural that Congress, and many people in the United States, should entertain doubts about the existing foreign aid program and be opposed to its extension; but it would be unwise on the part of the foreigner to ignore the record or the circumstances in which extension has been advocated, and to assume that the existing mood of doubt on the part of some sections of American leaders will prevail.

Growing emphasis on public investment

The most interesting fact about this generous program of foreign aid, for the purposes of this discussion, is that it would have been regarded as an anomaly in the pre-war economy, as something foreign to the structure of American capitalism in its halcyon days, when it was absorbed in the exciting task of developing the resources of the country. The question to consider is how far an economy geared to this task is capable of dealing with the wider responsibilities of world economic leadership in a world that has itself changed in such a dramatic fashion in a few decades.

I have been interested in this problem
Continued on the Following Page

lem ever since the days of the New Deal, when a fundamental controversy arose over the respective parts that public and private enterprise should play in the development of national resources, and a new social philosophy was emerging, involving some greater degree of control over the operations of private enterprise. Some of the issues were discussed in a paper I read at the Harvard Tercentenary Conference in 1936 (*The State and the Entrepreneur*, published in *Authority and the Individual*, Harvard University Press), The central theme of this paper was that even in the conditions at that time there was a much greater proportion of development undertaken in the Western economy by public enterprise than was commonly realized, and that the Statutory Authority as developed in Australia, and epitomised in the Tennessee Valley Authority in the United States, had much greater resemblance to the joint stock company than was commonly accepted.

More relevant now

Nothing has happened in the intervening years to challenge these contentions; on the contrary, they are rather more relevant to the post-war world than they were in 1936. There are several reasons for this. In the first place, the economy of the Western world has on the whole greatly expanded the sphere of public enterprise, and in a young and developing economy like Australia the proportion of public investment to total investment at the relatively high rate of 35 per cent is probably too low. Secondly, in the underdeveloped world that has become so much more important in both political and economic affairs at the international level, the proportion of public investment will be much higher in all development plans, and this again raises a new problem concerning the supply of capital. Thirdly, both the Western economy and the underdeveloped economy are giving much

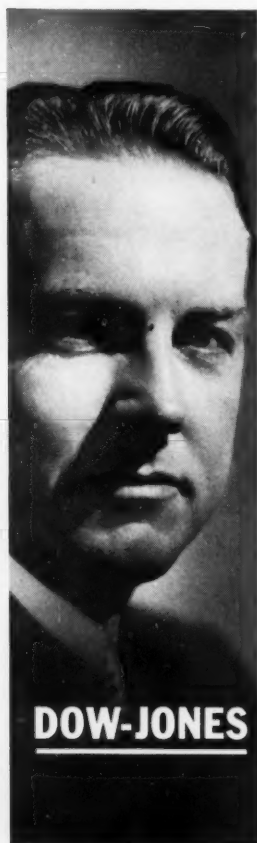
more attention to the promotion of social welfare in health and education and cultural development. This again emphasizes community effort on a scale not hitherto attempted.

Devotion to technique and heavy industries

Finally, the communist economy, with its devotion to technique and heavy industry and its pursuit of policies inducing forced savings, is a new force in the world economy involving a challenge to the free economy of the Western world and competing with it in the underdeveloped economy.

The fundamental question arises whether the American economy with its new international responsibilities is capable of meeting this new situation. Recent experience in Australia is not without relevance to the answer. It is axiomatic that the Australian economy, in its present mood of expansion and high immigration intake, needs a large volume of public investment. Apart from loans from the International Bank on a much more modest scale than in the decade of the twenties that witnessed the last important peace-time expansion, the import of capital on public account has been trivial. To sustain public enterprise on the scale required, it has been necessary to pursue a fiscal policy that provided for public works from taxation; in a word, from forced savings. No less than 70 per cent of total public investment in Australia has been financed in this way in recent years.

The same is probably true of other countries in the Western world, and of the countries of the underdeveloped world that have been attempting development in the grand manner. It is well to remember in this connection that the world is experiencing, thanks to the conquest of disease, to "death control," the most rapid increase in population in history. This emphasizes the magnitude of the problem, and no one would suggest that the main responsibility does not lie with the countries themselves to find some way of financing the major part of their development, in so far as it de-



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depends upon public enterprise. But, on the other hand, it is true that the American economy and financial structure are not equipped to grapple with this problem on the scale required. This is why it has been necessary to resort to Congressional appropriations for foreign aid, which also is a form of forced savings.

So, it would appear that what was improvised after the war to meet what was regarded as a special and perhaps temporary situation may well become a permanent feature of the American economy in its adjustment to the new world situation, and to its widening responsibilities.

I discussed this problem in a paper read to the American Philosophical Society at Philadelphia in April, 1956 (*Proceedings of the American Philosophical Society*, Vol. 100, No. 5), but it requires much more exhaustive treatment. Moreover, the situation demands the development of a new philosophy of the relations between public and private enterprise in the United States, and particularly on the part that organized aid in the form of capital and technical assistance must play in the development of an expanding world economy.

It is clear that this cannot be done on the basis on which American capitalism thrived in developing its own estate. Fundamental modifications of the respective parts of public and private enterprise will be required. Fortunately, these are on their way in the United States in both thought and action, though present controversies may seem to have cast doubts on the imaginative attack that was made on the problem immediately after the war in UNRRA and in the Marshall Plan. This is the fundamental problem, and we must not forget that the physical challenge of the communist world, with its new and repulsive form of colonialism in its satellite empires, has compelled the United States for the first time in its history in peace-time to spend a high proportion of its current resources, including its technical resources, in defense. About 10 per cent of national income and 50 per cent of the national budget is so expended. This is in part a contribution to the free world, and

a modification of the historic pattern of American capitalism.

Surpluses in an expanding world

But there is another problem of considerable importance in its external economic relations in which it may be held that the American economy has not yet adjusted itself to the new world situation. It is the problem of surpluses of foodstuffs and raw materials produced in great abundance in the United States, thanks in part to technological advances and in part to extensive support programs to the farm bloc. This latter development is in itself a departure from the original shape of the American economy, a product of political pressures of quite recent years, and an exercise of the public purse that would not have been countenanced by the founding fathers of American capitalism.

The sale of surplus wheat, cotton and other commodities as part of a scheme of generous assistance to countries suffering from drought and famine, or other temporary shortages, may cause grave embarrassment to other producers of the same goods not able to support such forms of international aid, or to indulge their own farm blocs on the scale that has been found possible in the United States. Similarly, a somewhat vicarious policy of stock-piling of raw materials has its disturbing influence in the markets of those less capable of financing such expedients, however necessary they may appear to be at any given time.

New techniques

Here again, new techniques of handling such problems at the international level may be necessary, and they will not conform to the original, or even the present, shape of the American economy. For instance, in the case of surpluses, some international agreement to store them on a well-considered plan might well prove more economical in the long run, less disturbing to the world markets, and capable of providing a permanent stock against recurring shortages and great disasters in different parts of the

Continued on the Following Page



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world. This would enhance the reputation of the Western economy and probably involve far less risks than a policy that threatens severe competition in markets to dispose of surpluses, as though they were an embarrassment to a world growing in riches and administrative capacity. Perhaps someone might make a study of the policies of the Incas of Peru in handling such problems in their economy, devoted as it was to the well-stocked granary. It is of little use for the foreigner to blame the American for such a situation; in this, as in so many other matters, we are all to blame, and we need to reconsider our position in the light of the

new world economic pattern of our own individual and collective responsibilities. It may, however, be fair to contend that we expect leadership in the matter from our American friends.

Trade policy

Finally, there is the question of tariff policy, and of the survival of the American practice of safeguarding local enterprise from cheaper imports. It is true that strong efforts have been made, by both Democratic and Republican governments, to break down the policy as developed in successive administrations over the years of internal expansion of American private enterprise, and some progress has been made. But the barriers to a developing import trade are still too great in a country that has the international responsibilities of the United States.

Australia had had long experience of this in her chief export, wool, though it may be contended that the development of synthetic fibres and their widespread use in the United States has made the problem less pressing to us than it was in the past. But the fact remains that in competing with synthetic fibres, imported wool starts with a serious handicap, and this is particularly the case with the fine wools in which Australia excels. But this is not a product of the post-war world; it was part of the economy of private enterprise in the United States long before the production of synthetics, and probably a necessary political concession to the powerful wool lobby. Nevertheless, with wool and other raw materials and metals the American demand is likely to expand rapidly, and in this respect it may be contended that the preservation of tariff practices developed under different conditions is another case in which policy has not caught up with the facts of a new situation, and of new responsibilities in the world economy.

The problem of adjustment

It would be strange indeed if an economy that had developed a pattern of its own for internal development should be ideally suited to cope with an entirely new situation, and

one that has come with startling speed. The three problems I have mentioned are of major importance in the adjustment of the American economy to the changing conditions of the post-war world. The first is by far the most important because it affects the rate of expansion of the Western economy and the underdeveloped economy, and the degree to which an integrated structure in the main divisions of the free world can be evolved.

An agreed solution of the problem of the flow of capital for public investment will shape the pattern of the future international economy and meet the challenge of the communist economy. The flow of capital for private investment is important, but in all modern communities private enterprise works within a social and economic framework in which government necessarily plays an increasing part. The responsibility for developing this framework must always rest with the country concerned, but it can be nurtured and assisted by a partnership between the more favored and the less favored.

It is in this respect that the American economy has to make its biggest adjustment, because as the clearly established leader of the free world, it is in the strongest position to influence the shape of things to come. If my diagnosis is correct, this will be done by appropriate modifications in the original structure of American capitalism to meet new conditions. The onus is on the foreigner to understand this, to realize the problem it presents to our American friends and to satisfy himself that progress is not being made in the basic adjustment America must make before he indulges in somewhat irresponsible criticism.

Considering the magnitude of the problem, it may reasonably be concluded that great progress has been made, and that the United States has not lagged behind others in meeting new responsibilities that have been thrust upon it.

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THE CORPORATION IN PERSPECTIVE

By Raymond C. Miller

● The historical process is a deceptive one, and the closer we get to the present, the more distorted becomes our perspective. The process of change, which is so clearly an element of the historic past, is not so obviously an element of the historic present. We all fall victim to the error which assumes that there has been no change in our own institutions because we still use familiar words to describe them. When this happens, such words do not convey meaning, but obscure it.

Capitalism no longer has precise meaning

Men in position of power in contemporary America are to a large de-

gree the product of the farm and the village, or were taught by men whose ideas were formed in that social matrix. It was a simple society, and the descriptive economic literature tended even to over-simplify it, but at least the society was understandable because the words and phrases used expressed a known reality. Private enterprise, capitalism, ownership, labor and capital, property, socialism, competition, supply and demand—these are perfectly good words, which in their own time and context had a precise meaning.

The words remain in current usage, though the institutions and practices they described began to break down a half a century ago. In the first decade of this century, men talked excitedly about trusts and combinations, and what to do about them. The trustbuster and the muckraker viewed with alarm the creation of the Northern Securities Company in the railroad world, and United States Steel in the industrial world, and shrilly expressed their alarm for the future of the Republic in the face of this trend toward Bigness in Business. Since that date, the great corporation has won undisputed pre-eminence.

The time has come to recognize that we have constructed something new. The time has come to stop talking as if each great corporation is an exception to the rule which is no longer the rule, and to stop apologizing for that which we as a nation have no intention of fundamentally altering or abolishing.

The "great corporations" are hard to define, but easy to recognize. They

number two hundred, more or less, but in the economic sense they are half of industrial America; half its labor force, half its invested capital, half its production and half its return. That which remains to the hundreds of thousands of other individuals or corporations is the minor share, and that fact should be accepted in our modern world. Laments over the plight of "little business" are as pointlessly nostalgic as songs about "Old Black Joe" and the beauties of the institution of slavery. Little business will, of course, survive, but in a form compatible with the new economic totality.

Hard to define

The great corporation is not the little one grown large, for in the mere process of growth is involved a vital change in character or quality. We have created in the Twentieth Century a magnificently productive economic machine, from which all the world benefits, and which has made the American the most fortunate of all men. We have adopted and inspired a productive technology, implemented it with almost unlimited financial resources, applied with consummate skill the arts of management to the tasks of integrating and rationalizing the elements of an economic empire, completed the whole with an incredibly extensive distribution system, and then have made ourselves absurd by calling it private enterprise, and trying to use the language of Adam Smith to describe it.

Continued on the Following Page

● DR. RAYMOND C. MILLER is Professor of History at Wayne State University. He graduated from the College of Emporia with an A.B. degree, and received the degrees of M.A. and Ph.D. at the University of Chicago. In 1951 he held the Cass Lectureship of the Detroit Historical Society. Appointed to the Leo M. Franklin Memorial Chair in Human Relations at Wayne State University for 1957-58, he is currently organizing the eighth annual series of lectures to be given under these auspices. The subject of the lectures to be given by Professor Miller and others is closely related to that of this issue of the JOURNAL, "Industrial Society and the American Dream." ●

Great corporation not private property

The great corporation is not private property, and the distinction between the two shows in their behavior. In the operation of the traditional, simple, capitalistic business, the rules in force assumed private venture and private profit. The motivation was simple self interest, which was the driving power of the whole system of private enterprise. It was the function of management to gather together the essentials of production, including labor and capital, and to direct them to its own ends. Incorporation had advantages, and it proved to be a convenient way in which to spread the risks, and by which to raise the essential capital, but it did not change the private character of the venture. The corporate form merely substituted plural for single ownership, granted immortality to the business, and placed a legal limitation on each individual's business risk.

The use of the analogy of private capitalism to describe the great corporation and the economic society it dominates is deceptive abroad, and is dangerously erroneous even here at home. Abroad it has led to a failure to comprehend the real America, and to mischievous misinterpretation when we use it to describe the economy which serves us so well. There are parts of the world in which the word capitalism means only sharp practice and a chicanery just within the law. The word has been used to cover black market operations and international currency manipulations, unethical and unpatriotic behavior so odious that the word itself in such places has become a liability. Fortunately America has had few such experiences and no such association of meanings, but even here the word carries the implication of total pursuit of private interest, and an absence of any responsibility for public interest beyond that defined by law itself. For that vast part of our economy which is still private and capitalistic, that is an adequate definition.

Corporation analagous to state

The great corporation differs so sharply from a simple form of capi-

talism that by contrast it seems to approach the form of the state. Its leadership is chosen at an election in which the votes cast are as many as choose a governor. The Board of Directors, like a legislature, holds for the term of office the delegated and limited authority. Usually corporate elections are uncontested, but occasionally a struggle for control will produce rival slates contesting for the vote, and a flood of campaign literature which in tone sometimes sounds like the beginning of partisan politics in the corporation's election.

Seek security

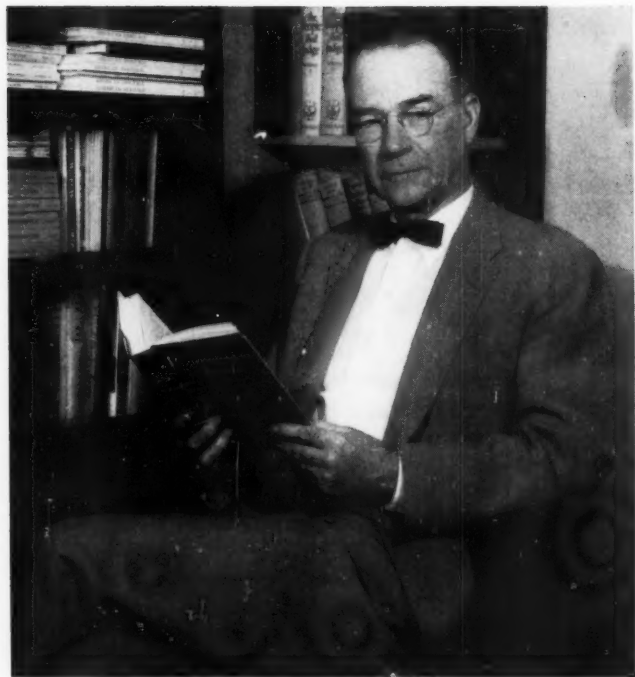
The employees, tens of thousands in number, can never hope to become independent proprietors. They will seek security within the company, and will find their advancement inside the business bureaucracy. This is a civil service operation and its opportunities are very real. Top management in most of the great corporations is the product of internal promotion from the ranks.

Even in the matter of property ownership, the analogy to the state is striking. The officers are normally hardly more owners of the company than the governor and his colleagues

are owners of the state. Indeed, the relationship which exists between executive and voter is in both cases a fiduciary one, in which abuse of trust is hard to prove and hard to punish.

Only an analogy

Despite the striking exactness of the parallel as it has often been detailed, the analogy of the corporation with the state remains only an analogy. The great corporation is not a half way house to public ownership. It may even prove, as it has on occasion been argued, that the corporation will provide an escape from some degree of public ownership, by providing an alternative to it. There was a time when public taxation and public credit were the only means by which a huge capital accumulation could be made available for public purpose, and thus public ownership was essential. This is no longer true. The invention of the great corporation may make unnecessary the intervention of government except where it is the avowed intention to provide a subsidized service at tax cost for policy sake. In any case, the analogy of the corporation to the state does not forecast our inevitable socialization.



Dr. Miller

Corporation neither public nor private

The great corporation is a species of property which is neither public nor private, in the strict sense of those words. America has created a third type of property and has done itself injury by trying to force it into a conceptual category in which it is warped and handicapped.

The great corporation is a different kind of creature. The logic choppers, and this includes the lawyers and the courts, have tangled themselves with the either-or choice, to insist that if it is not public it is private, or that if it is not capitalism it is socialism, but facts have a way of betraying that type of superficial logic. The fact is that the assumption underlying the either-or dilemma is itself antiquated and invalid. The same generation in England which saw the classical economists define capitalism, saw Karl Marx define socialism. The two doctrines were reactions to the same system of organization, assumed the same restricted technology and reflected a view of the same society. Both were 19th Century conceptions, and in the original meaning of the words, the great corporation has made antiquated both socialism and capitalism.

Words may deceive

The membership of this Association, skilled at play with words, will be familiar with the fact that frequently words have emotive content and implicit overtones quite external to dictionary meaning. A shrewd or even a modestly competent word-smith knows how to evoke approval or its opposite by the correct selection of descriptive phrase, with both within the bounds of truth. This is a legitimate skill, known and practiced by poets, orators and lovers since time began.

It is not legitimate to use words to deceive, however, even when the user is himself among the victims of the deception, for he ought not to be innocent or deceived. When, with obvious self interest, a writer attempts to apply the emotive phrases of private rights and individual privilege to a vast corporate and industrial empire

in a manner not so much wrong as irrelevant, the informed reader will be alienated by the falsehood and even the thoughtless will laugh. Business, of course, has a right to be worried when its message is thus summarily rejected.

If this were a problem for advertising men and public relations specialists, the rest of us could utter our customary jeer at the professions, and be superior in the face of their confusion. The difficulty is that we are all caught in this same confusion. The pattern of economic institutions has changed, and the words with which we attempt to grapple with the new realities somehow prove inadequate to the task.

A typical corporation

There is, of course, no such thing as the single archetype of the great corporation, but it will be interesting to sketch a "typical" great corporation, understanding always that each one will depart in some degrees from this construct.

The great corporation is substantially autonomous. In spite of law and voluminous regulation, its decisions on policy are its own. It develops its own bureaucracy and its own leadership. Its shareholders are not owners, for they cannot act as owners to control their property. Their sole effective gesture of protest is to sell the shares they hold, and in the meantime the shareholder is in fact only a possessor of a paper which makes him a kind of secondary creditor. Even the celebrated accounts of the power of Wall Street, though probably once only an exaggeration of the truth, seem now almost completely fictional. The use of internally developed capital, and the ability of the corporation to tap financial resources independently, have combined to reduce Wall Street to a convenient instrument only.

Corporation a third form of property

Because the great corporation is autonomous, the public may in time come to see that it is therefore respon-

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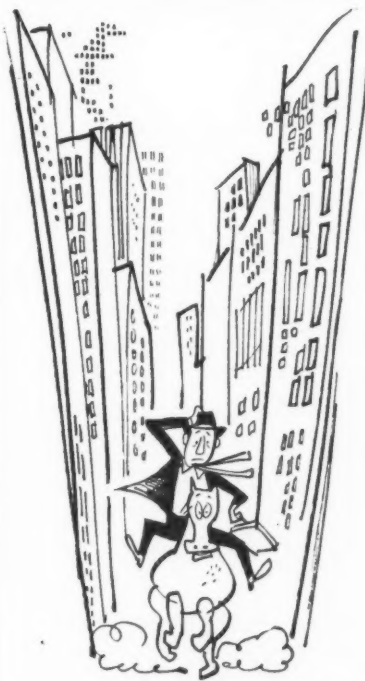
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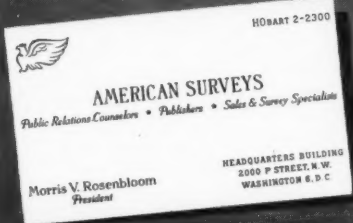
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sive to a set of assumptions different from those of either the state or private enterprise. When a business firm is viewed as private property, people expect and assume a petty pursuit of self interest and a social irresponsibility, because that is the theoretical basis of private enterprise. The great corporation would find it a marked advantage if the public would come to expect from it, by contrast, behavior harmonious with its established role in the new economy.

Concern with public interest

The great corporation is not denying the theoretical basis of its own existence when it emphasizes a primary concern with the public interest, nor is its spokesman guilty of hypocrisy or double talk. When shareholder, employee and customer groups are so numerous, when these classifications are no longer mutually exclusive, when the sum of all of them adds up to a considerable percentage of a given population, then indeed the corporation cannot avoid direct involvement with what is substantially a public concern. Under this circumstance, business decisions are so infected with the public interest that they become policy decisions also, with implications not measured on the year-end balance sheet alone, or restricted to the company.

It is not the purpose of this argument to contend that the great corporation has become an instrument of disinterested social philanthropy, though that suggestion is not as absurd as it once would have seemed. The participation of its business leaders in public life, at personal sacrifice, the generous grants to scholars and to academic institutions, the creations of foundations for social purposes, and the gifts to funds and drives both religious and secular, could all be cited to support the argument, if one chose to make it.

Public do not understand nature of corporation

The unfortunate fact is that the public observe these gifts and actions, and yet are unaware of their significance. They are not recognized as a

witness to a large public involvement. When eminent industrial leaders sense this reality, individually live up to it, accept a public and social responsibility which it implies, and direct policy in accordance with it, the behavior is too often viewed as an individual eccentricity not otherwise explainable. If the great corporations were a species of private property, the incredulous would be justified.

Some time ago, C. E. Wilson said, or was quoted as saying that what was good for G.M. was good for the country, and a great ignorant jeering roar of laughter followed. But in the literal, factual sense, Wilson was right. General Motors can have no prosperity independent from that of the nation, and it cannot fail to share from the national well being. Its interests are so extensive, its operation so pervasive that its well being is compatible with the nation's well being.

Norms of private enterprise no longer valid

And we will all be better off when the leaders of the great corporation and of the business community, too, consciously recognize what they do. They act often with full and careful public responsibility, but they talk a kind of antiquated economics to which their deeds give the lie. We exact from mayors and governors an oath before they may exercise the prerogatives of office. Perhaps we should demand from business leaders, before they may direct great corporate enterprises freighted with such public responsibility, a similar oath of accountability. Even the most public spirited business leader needs to be reminded that every decision—to employ, to invest, to expand, to abandon, to alter price relationships—is a policy decision in which the norms and values of private enterprise are no longer the only valid considerations.

As a people, we are forever in danger of re-enacting the error of Wells in the conclusion of his *Outline of History*. With flags waving, he assumed the fixed validity for his day of the institutions which the past has created. That was an historical error

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because institutions, like technics, will again evolve, be modified, die, and others will be invented by which man will meet his needs. This is a con-

tinuing process which we will do well to accept, even those of us who disapprove of change, since we have no alternative. ●

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W. HOWARD CHASE, PRESIDENT

Government in our Economic System—Continued from Page 10

It should not be necessary—and yet it is—to emphasize that such welfare programs must be carried out with judicious care. A cool head is needed in welfare as well as a warm heart. Public policy that encourages private laxity helps neither the individual nor society as a whole. What government does to help must remain consistent with our time-tested belief that the only real security is that which an individual wins for himself.

Much more, of course, is involved in promoting the general welfare than dealing only with the casualties of life. Public and private action, for example, should seek to remove the obstacles to equal economic opportunity for all persons. A society which values each individual must take steps to bring the first rung of the ladder of opportunity within the reach of all. Universal education and various vocational programs are thus a social and moral necessity. So also, is the unremitting discouragement of discrimination of all kinds. And the best climate for its elimination is the expanding volume of opportunities that a growing economy affords.

Proper place of government in our economy

In these three areas—strengthening of competitive markets, moderating economic fluctuations, and providing certain necessary supplements to the market system—is to be found the proper place of government in our economy. A proper role for government must rest on a proper regard for freedom. Such a belief emerges from the intimate relationship of personal security, material well-being, and freedom. In approaching the difficult problems of our own economy, it cannot be emphasized too frequently that our material well-being is mainly a question of whether the economy

remains dynamic and grows in a reasonably stable manner. Strengthened and supplemented in appropriate but clearly limited ways, the free economy best assures the rapid economic progress which alone allows a widespread and increasing standard of living. It is thus that America's plenty-in-freedom has become a reality. ●

On Government!

"... It is besides a very great mistake to imagine that mankind follow up practically any speculative principle, either of government or of freedom, as far as it will go in argument and logical illation. . . . All government, indeed every human benefit and enjoyment, every virtue, and every prudent act, is founded on compromise and barter. We balance inconveniences, we give and take, we remit some rights that we may enjoy others, and we choose rather to be happy citizens than subtle disputants. . . . Man acts from adequate motives relative to his interest, and not on metaphysical speculations. . . ."

Edmund Burke, *BURKE'S SPEECHES & LETTERS ON AMERICAN AFFAIRS*

J. M. Dent & Co., London; E. P. Dutton & Co., N. Y.; pp. 130-131



—Drawing from HOLIDAY
"Ad Man's Diary"

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—Drawing from HOLIDAY
"Ad Man's Diary"

"The boss is taking off for the 10th Annual Conference in Philadelphia, November 17-20."

Labor—Continued

to one week;

"6 per cent require from one to two weeks;

"14 per cent require from one month to one year;

"one per cent require from one to six years. The last jobs require great skill—as in tool making and die sinking."

Today, the trend is back to skilled training and skilled trades. In a few short years, the worker without a long training or higher education may be as handicapped as a one-armed paperhanger is today. Certainly, there will be little relationship between the time a worker spends on his job and the vastly increased amount of production made possible by automation.

Perhaps the method of paying most American workers—by the hour or by the piece—will be equally obsolete. From 1947 to 1956 the percentage of all workers in manufacturing paid on an hourly basis declined from 83.7 per cent to 78.1 per cent and the ratio of those paid on a salaried basis rose from 16.3 per cent to 21.9 per cent—nearly all in white collar fields.

So long as management continues double standards of this kind, no labor leader will be willing or able to say: this is our last demand. ●

Society—Continued

what of the defenses against a totalitarian economic system and especially in the crucial areas of Asia and Africa?

The Soviet Union is endeavoring to make converts to communism. Its spokesmen make no bones about it. It would seem to follow that if the Soviet Union is trying to win converts to communism, we should be trying to win converts to our economic system. But are we? And indeed if we are, are we getting our point across? And when I say we, I don't mean just the United States Government. In my mind this problem must be faced not only by management. Just as important, it must be faced by labor. It must be faced by union lead-

Continued on the Following Page

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—Drawing from HOLIDAY
"Ad Man's Diary"

"Picture of a p. r. director explaining to management why he didn't attend the 10th Annual Conference in Philadelphia, November 17-20."

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1. The names and addresses of the publisher, editor, managing editor, and business manager are: Publisher, Public Relations Society of America, Inc., 2 West 46th Street, New York 36, New York. Editor, Stephen E. Fitzgerald, c/o Public Relations Society of America, Inc., 2 West 46th Street, New York 36, New York. Executive Editor, Mary E. McNeill, c/o Public Relations Society of America, Inc., 2 West 46th Street, New York 36, New York. Assistant Editors, Thomas T. Carskadon and Edward Littlejohn, c/o Public Relations Society of America, Inc., 2 West 46th Street, New York 36, New York. Managing Editor, (none); Business Manager, (none).

2. The owner is: Public Relations Society of America, Inc., 2 West 46th Street, New York 36, New York (Non-Profit Organization). Officers are: Dan J. Forrestal, President; Kenneth W. Haagensen, Vice President; Carroll West, Secretary; Dudley L. Parsons, Treasurer; Shirley D. Smith, Executive Director—all of 2 West 46th Street, New York 36, New York.

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5. The average number of copies of each issue of this publication sold or distributed through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required from daily, weekly, semiweekly and triweekly newspapers only.)

Mary E. McNeill
Executive Editor

Sworn to and subscribed before me this 12th day of September, 1957.

Elizabeth Appel

Notary Public, State of New York
(My commission expires September 27, 1957)

ers, by workers, and by all who share in the benefits of our system.

Both labor and management have an equal interest in spreading the understanding of American capitalism. They have an equal interest in correcting the many false ideas which are so evident to any traveler abroad. Every resource is needed to project to an ever-wider audience a right picture of our business life as it today. There are some sub-marginal areas, there are some tensions, but generally we have good management, generally we have good industrial relations. And by consequence, we have unrivalled economic and social progress. We have, too, more than this. We have freedom. The American business system means productivity and progress. It means, too, democracy and the Bill of Rights. Here indeed labor and management can agree and show a common front to the world.

Responsibility of corporate executives

More than ever I am impressed with the gravity of the challenge that faces American leadership around the globe. More than ever I am convinced too that the leaders of corporate enterprises must bear their share of this burden. Perhaps never before did a group accept more unwillingly the political power that undoubtedly is being thrust upon them. Corporate executives have little inclination to become politicians. Their main objective has always been to manage successful business enterprises. And yet the decisions they take are becoming of increasing importance for the country as a whole. The corporate institution indeed is becoming, as Mr. Berle has phrased it, "one of the master tools of society," and consequently, it is a master tool in the struggle for freedom in the world.

So then whether we consider our own people or those overseas, it is essential that we ceaselessly examine and explain the realities of our system. We have in the United States a workable society which is neither the creature of government nor a jungle of laissez faire. We have a society which with all its problems provides great material and spiritual blessings.

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PROGRAM

10th National Public Relations Conference



Public Relations Society of America, Inc.

November 17, 18, 19 and 20, 1957

Sheraton Hotel, Philadelphia

Sunday, November 17

8:00-9:00 P. M. PRSA MEMBERSHIP MEETING AND CHAPTER DEVELOPMENT SEMINAR
(for Members and Associates only)

Monday, November 18

8:30 A. M. REGISTRATION

9:00 A. M. WELCOME

Welcome: John K. Murphy, General Conference Chairman; Manager of Community Relations, The Pennsylvania Railroad Company, Philadelphia; Walter G. Barlow, Conference Program Chairman; Executive Vice President, Opinion Research Corporation, Princeton, New Jersey.

Presentation: "Benjamin Franklin," by Wilbur Evans, noted Philadelphia actor and singer, interviewed by William W. Weston, Assistant Director of Public Relations, Sun Oil Company, Philadelphia

9:20 A. M. FIRST GENERAL SESSION: *Public Relations in the New Age of Mass Communication*
Chairman: Edward F. Baumer, Vice President, Communications Counselors, Inc., New York City

12:30 P. M. ANNUAL LUNCHEON

Presiding: Harold B. Miller, Chairman, PRSA Executive Committee; Director of Public Relations, Pan American World Airways, New York City

Address: Kenneth W. Haagensen, Director of Public Relations, Allis-Chalmers Manufacturing Company, Milwaukee

Introduction of Past Presidents and New Officers

3:00 P. M. SECOND GENERAL SESSION: *How the Public Relations Profession is Benefiting from Educator-Practitioner Cooperation*

Chairman: Kalman B. Druck, Vice President, Carl Byoir & Associates, Inc., New York City.

6:30 P. M. RECEPTION AT FRANKLIN INSTITUTE

Tuesday, November 19

- 9:00 A. M. CONCURRENT SESSIONS (five to be held simultaneously)
- Corporate Public Relations*
Chairman: J. Raymond Bell, Director of Public Relations, Columbia Pictures Corporation, New York City
 - Public Relations Counselors*
Chairman: Thomas D. Yutzy, Partner, Dudley-Anderson-Yutzy, New York City
 - Trade Associations and Professional Groups*
Chairman: Walter W. Belson, Assistant to the President and Director of Public Relations, American Trucking Associations, Inc., Washington, D. C.
 - University and College Public Relations*
Chairman: Bradford D. Ansley, Director of Development and Public Relations, Emory University, Atlanta, Georgia
 - Health and Welfare Public Relations*
Chairman: Dorothy Ducas, Director of Public Relations, The National Foundation for Infantile Paralysis, Inc., New York City
- 12:00 Noon LUNCHEON
- Presiding:* Carrol R. West, Secretary, PRSA; Vice President and Manager of Public Relations Division, Title Insurance and Trust Company, Los Angeles
 - Newsweek Periscope Panel*
Moderator: Kenneth Crawford, Washington Bureau Manager, NEWSWEEK, Washington, D. C.
- 3:00 P. M. PRSA INFORMATION EXCHANGE
- Presiding:* E. Leo Koester, Manager of Community Relations, Crosley Division, Avco Manufacturing Corporation, Cincinnati
 - Information "traders" will be on hand to exchange information and points of view on the following subjects:
 - Community Relations*
 - Mass Media and News Handling*
 - Product and Service Publicity*
 - Public Relations Organization and Planning*
 - Stockholder and Financial Relations*
 - Employee and Management Communications*
 - Government Relations*
 - The Social Sciences*
 - Evaluation*
 - Special Problems and Techniques*
- 7:45 P. M. ANNUAL DINNER
- Presiding:* Dan J. Forrestal, President, PRSA
 - Address:* Philip D. Reed, Chairman of the Board, General Electric Company, New York City
 - Special Entertainment

Wednesday, November 20

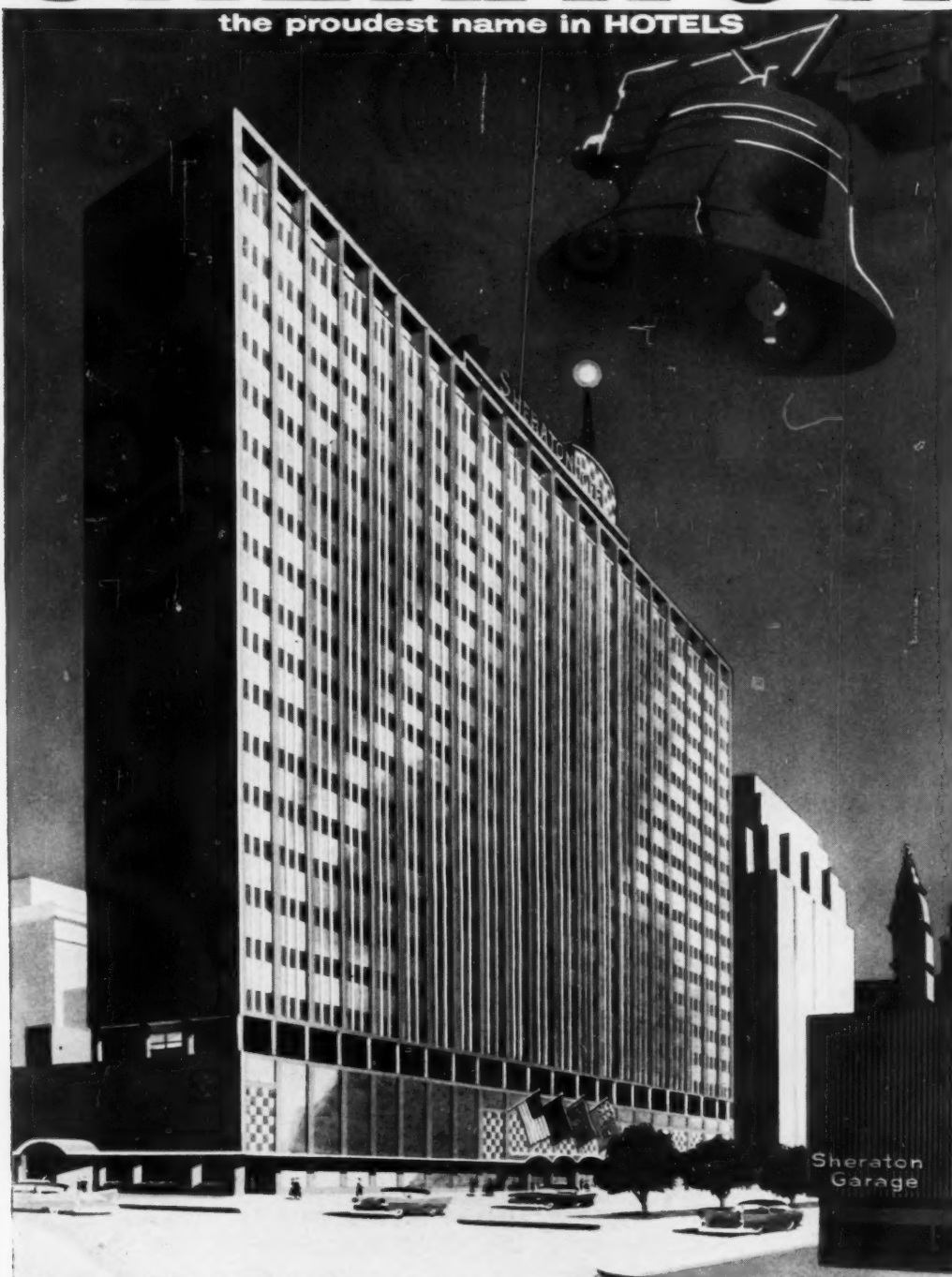
- 7:30-8:45 INTERNATIONAL BREAKFAST
- A. M. *Chairman:* Richard B. Hall, President, Richard B. Hall and Associates, Washington, D. C.
- 9:30 A. M. FOURTH GENERAL SESSION: *The Public Relations Man's Fundamental Role*
- Chairman:* Thomas W. Phelps, Assistant to Chairman of the Board, Socony Mobil Oil Company, Inc., New York City
- 12:30 P. M. CLOSING LUNCHEON
- Presiding:* Walter G. Barlow, Conference Program Chairman
 - Speaker:* To Be Announced
- 2:30 P. M. CONFERENCE ADJOURNMENT
- Additional Information May Be Obtained From:* Public Relations Society of America, Inc., 2 West 46th Street, New York 36, N. Y.

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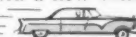
Here you can see the silver inkstand used in the Signing and the chair Washington sat in at the Constitutional Convention. In the nearby hallway you can put your hand on the Liberty Bell, the cracked symbol of a nation that didn't crack.

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ence National Historical Park so that visitors of today and tomorrow may see the entire area as it was when the colonists pioneered a new form of government there in 1776.

America has always been a land of pioneers—rough, fearless men in buckskins who spanned rivers and topped mountains to open up this vast land. But the bewigged men in the satin breeches who gathered in Philadelphia were the most fearless pioneers of all, for they opened up the minds of men... and gave the world a new concept of freedom.

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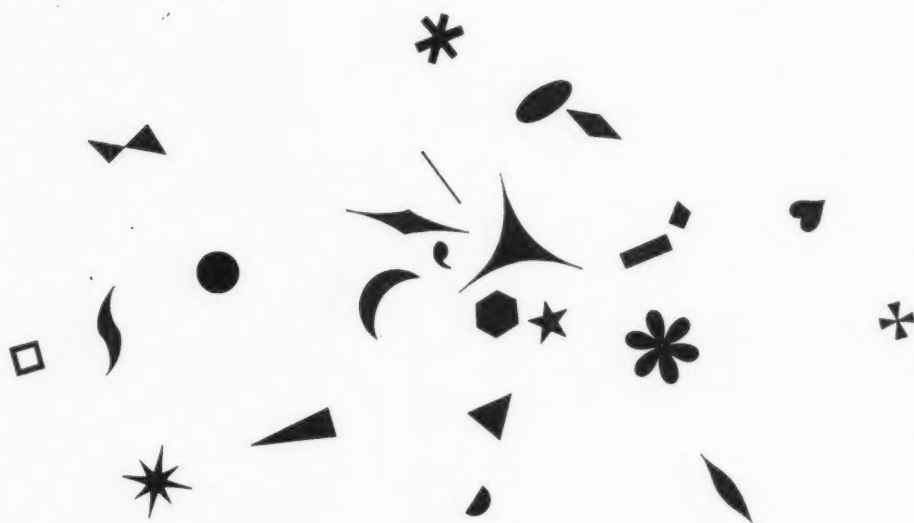
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